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I am submitting herewith a dissertation written by John B. Viar entitled "Economic Development in Plural Societies: The Institutional Economics of J.S. Furnivall." I have examined the final copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Economics.

Walter C. Neale

Walter C. Neale, Major Professor

We have read this dissertation
and recommend its acceptance:

Accepted for the Council:

Associate Vice Chancellor
and Dean of The Graduate School

Economic Development in Plural Societies:

The Institutional Economics of J.S. Furnivall

A Dissertation

Presented for the

Doctor of Philosophy

Degree

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John B. Viar

August, 1993

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ABSTRACT

This dissertation examines John S. Furnivall's theory of social and economic change in plural societies, societies in which peoples of different cultures live without sharing a common culture. The theory of plural economy can be derived from Furnivall's interpretation of social and economic change in colonial Burma (now Myanmar) and Indonesia (formerly Netherlands India). Furnivall's ideas were based on his experience (his career in Burma as an officer in the Indian Civil Service) and his life-long study of colonial policy and practice.

Yet Furnivall's approach to the study of economic change is strikingly similar to that of Karl Polanyi and the American institutional economists. This dissertation will articulate and analyze Furnivall's theory of plural economy, and then compare Furnivall's ideas with the ideas of Polanyi and such major contributors to American institutional economics as Thorstein Veblen, John R. Commons, and Clarence Ayres. Connecting Furnivall's theory of plural economy with the more general theory of economic change provided by institutional economics is the major contribution of this dissertation. Placing the theory of plural economy within this larger context provides a new perspective on Furnivall's interpretation of social and economic change under colonial rule.

But there is a mutual contribution between Furnivall and institutional economics. The institutionalist perspective contributes to a deeper understanding of the theory of plural economy by making the ideas upon which it is based more clear for the contemporary reader. Furnivall's analysis, in turn, provides one of the best examples of how economies can be studied as cultural phenomena. His work can thus be seen as one of the most

important contributions to institutional economics in the field of economic development.

The plural society was a common result of the colonial experience. Furnivall's theory of plural economy developed through his efforts to explain social and economic change within the colonial context. Furnivall's ideas take on greater significance, however, as the plural character of many societies in the contemporary world becomes more pronounced. Examining past experiences of the peculiar dynamics of the plural society thus becomes increasingly important for understanding pluralism in the world today.

TABLE OF CONTENTS

CHAPTER		PAGE
I.	INTRODUCTION	1
II.	JOHN SYDENHAM FURNIVALL	9
	Ideas	10
	Life	14
III.	PLURAL ECONOMY	18
	Domination	20
	Disintegration	20
	Liberation	23
	Pluralization	24
	Disconnection	26
	Progress, Welfare, and Culture	27
	National Income, Welfare, and Culture	29
	Welfare and Progress	31
	Social Services, Social Demand, and Welfare	32
	Welfare Services and Government Revenue	33
	Misdirection	34
	Welfare and Direct Rule	37
	Welfare and Indirect Rule	40
	Stagnation	41
IV.	PLURAL ECONOMY IN BURMA	44
	Pre-colonial Burma	46
	The "Orders" in Burmese Social Life	47
	Burmese Rural Organization	48
	Entourage and Circle	53
	Colonial Administration	58
	Origin of Liberal Colonial Policy	59
	Judicial Reform	61
	Reform of Public Finance	62
	Reform of Central Administration	64
	Reform of Local Administration	67
	Municipal Self-Government	69
	Rural Self-Government	74
	National Self-Government	76

CHAPTER PAGE

IV. (Continued)

Economic Progress 77
Progress 1826-1870 77
Progress 1870-1923 81
Social Welfare 83
Welfare 1826-1870 83
Welfare 1870-1923 86
Concluding Remarks 87

V. PLURAL ECONOMY IN NETHERLANDS INDIA 90
Pre-colonial Netherlands India 90
Colonial Administration 93
The Dutch East India Company 93
Daendels 97
Raffles 98
Return of Dutch Rule 103
Van den Bosch 108
Liberalism 111
The Ethical System 115
Economic Progress 117
Majapahit 117
Under the Portuguese 118
Under the Dutch East India Company 119
After Daendels and Raffles 120
Under Van den Bosch 121
Under the Liberal System 123
Under the Ethical System 126
Social Welfare 128
Pre-colonial Netherlands India 128
The Dutch East India Company 129
Raffles 131
Van den Bosch 132
The Liberal System 134
The Ethical System 135

CHAPTER PAGE

VI. FURNIVALL: THE DEVELOPMENT OF HIS THOUGHT 138
Furnivall: 1902-1923 139
The Indian Civil Service 139
Important Work 142
Minor Work 150
Furnivall: 1924-1931 151
Furnivall: 1932-1939 161
Furnivall: 1940-1948 167
Furnivall: 1949-1960 172

VII. PLURAL ECONOMY AND THE NATURE AND CONSEQUENCES OF COLONIAL RULE 174
John A. Hobson 175
V.I. Lenin 180
Leonard Woolf 183
Lord Lugard 188
Lewis H Gann and Peter Duignan 195
Imperialism and Plural Economy 200
Conclusions 212

VIII. FURNIVALL AND KARL POLANYI 213
Polanyi's Basic Ideas 213
Formal and Substantive Economics 213
Instituted Processes 215
The "Economistic Fallacy" 216
The Great Transformation 217
The Double Movement 218
Furnivall and Polanyi 223
Polanyi on Colonial Conditions 223
Social Disintegration 226
Disconnection 230

IX. FURNIVALL AND AMERICAN INSTITUTIONALISM 236
Thorstein Veblen 237
John R. Commons 243
Clarence Ayres 247
Polanyi and American Institutionalism 252
Furnivall and American Institutionalism 254
Culture and Institutions 254
Progress and Development 256
Conclusion 259

CHAPTER PAGE

X. CONCLUDING REMARKS 260

BIBLIOGRAPHY 265

APPENDIX 285

VITA 299

LIST OF FIGURES

FIGURE PAGE

1. Burma 15
2. Upper and Lower Burma 43
3. Netherlands India 88
4. Java 89

CHAPTER I

INTRODUCTION

John Sydenham Furnivall was an important and influential analyst of the colonial experience in Southeast Asia. His interpretation of social and economic change under colonial rule was based on his theory of plural economy. As a framework for analyzing the social change and social frustration experienced in the modern colonial era, the theory of plural economy is a major contribution to modern social science.

Furnivall, however, expressed his ideas in his own way. He used terms like "social will" and "social demand," for example, that are not familiar to contemporary social scientists, particularly to contemporary economists. Yet his ideas are strikingly similar to the ideas of Karl Polanyi and the ideas of economists writing in the tradition of American institutionalism. (Polanyi is mentioned separately here because, though he was a major contributor to the institutionalist literature, he was not American. Also, the connections between Furnivall and Polanyi are of crucial importance to the major argument of this dissertation, and are therefore examined separately in chapter 8. The connections between Polanyi and the American institutionalists are examined in chapter 9.) Indeed, Furnivall, Polanyi, and the American institutionalists used similar approaches in their analyses of economic and social change, although this fact was unknown to Furnivall and is still unknown to most American institutionalists.

Connecting the ideas of Furnivall and the ideas of Polanyi and the American institutionalists provides a new way of looking at Furnivall. Making these connections

places Furnivall's theory of plural economy, along with his analysis of the colonial experience in Southeast Asia, within the context of the more general theory provided by institutional economics. Indeed, Furnivall's work should be considered an important, if unrecognized, contribution to the institutionalist literature. More importantly, examining Furnivall's ideas within the context of institutional economics contributes to a deeper understanding of Furnivall's work. The nature and significance of Furnivall's theory of plural economy becomes clearer when analyzed in this larger context. Presenting Furnivall's ideas in this perspective actually makes his ideas more accessible and more meaningful to contemporary readers. The connections between the ideas of Furnivall and the ideas of Polanyi and the American institutionalists are the central point and major contribution of this dissertation.

Chapter 2 provides a brief introduction to Furnivall's life and ideas, and chapter 3 provides a full articulation of his theory of plural economy.

Furnivall derived his theory of plural economy from the colonial experiences of Burma and Netherlands India.[1] Chapters 4 and 5 give substance to the theory of plural economy by examining the working of plural economy in colonial Burma and Netherlands India.

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[1]"Burma" will be used rather than the recently adopted "Myanmar." Whether the pre-colonial, colonial, or independent state is designated will be clear in context. "Netherlands India," "Netherlands East Indies," and "Dutch East Indies" were commonly used to refer to what is now the independent state of Indonesia. Furnivall consistently used the term "Netherlands India" in his major works, which were written before Indonesia gained independence. "Indonesia" will therefore refer to the modern, independent state and "Netherlands India" to the same area under colonial rule or before. Since Furnivall was primarily interested in the conditions that existed under colonial rule, "Netherlands India" will be used more often.

The development of Furnivall's ideas can be traced through his many publications, from his early years in Burma at the beginning of this century to his most important work, Colonial Policy and Practice, published in 1948.[2] Chapter 6 traces the evolution of Furnivall's thought from his earliest written work, focussing of those ideas that were most important in the development of the theory of plural economy.

Chapter 7 contrasts Furnivall's theory of plural economy with other important interpretations of the colonial experience.

Chapters 8 and 9 connect Furnivall's ideas to the ideas of Karl Polanyi and the ideas of some major contributors to American institutional economics. As the major argument of this dissertation, it can be presented usefully, and briefly, at this point.

Furnivall's analysis focusses on the changing institutions that organized economic activities in the plural societies of colonial Burma and Netherlands India. It is thus an institutional economics, or an "evolutionary economics" in Thorstein Veblen's sense of the term. More important, however, are the similarities in the approaches of Furnivall and Karl Polanyi.

Karl Polanyi's use of the institutional approach, which is based on his idea of the "instituted process," led to his articulation of the double movement in his most important work, The Great Transformation.[3] The first aspect of the double movement was the

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[2]John S. Furnivall, Colonial Policy and Practice: A Comparative Study of Burma and Netherlands India (Cambridge: Cambridge University Press, 1948). Hereafter referred to as Colonial Policy and Practice.

[3]Karl Polanyi, The Great Transformation: The Political and Economic Origins of Our Time (Boston: Beacon Press, 1957 [c1944]). Hereafter referred to as Great Transformation.

establishment of market economy, which required institutional change and led to social dislocation and disruption. In response, and almost immediately, there was another movement, the second aspect of the double movement, to provide what Polanyi called "social protection." The movement to provide social protection consisted of successful attempts to promote and improve social welfare.

These ideas connect directly with Furnivall's. The central question that Furnivall addressed in Colonial Policy and Practice was: Why, after so many years of rule by western administration and in spite of considerable economic transformation and even economic progress, had colonial rule failed to improve the social welfare of the indigenous peoples of colonial areas, often in spite of conscious efforts on the part of colonial administrators to improve social welfare? Why, in other words, had colonial rule failed to provide significant and general improvements in the quality of life, or the standard of living, of indigenous peoples? From the perspective provided by Polanyi, the second part of the double movement was missing in the situations examined by Furnivall. This does not mean that the movement to provide social protection was missing in the sense that there was no effort to provide for social protection. The point is that efforts to provide social protection, or to promote social welfare, were carried out with different effects in areas under colonial rule.

In Furnivall's theory of plural economy, domination, or the introduction of colonial rule, led to social disintegration and the liberation of economic forces. Colonial administrations introduced new economic activities and new forms of economic organization that weakened or replaced institutions that had organized economic activities

in traditional societies. As with the establishment of market economy in Great Britain in the early nineteenth century, the institutional changes in the colonies were accompanied by social disruption and dislocation. Social disintegration led to the liberation of economic forces. The reasons, simply put, were the absence of institutional constraints that controlled economic forces in traditional society and the difficulty of institutionalizing new constraints to control economic forces in the interest of social welfare in a plural society.[4] In a plural society, which to Furnivall was a common characteristic of the colonial condition, peoples of different cultures live together without forming a common culture. With different ideas of social welfare, the peoples of plural societies too often failed to find ways to articulate the general interest of the society-as-a-whole: there was no general interest.

The presence of plural society itself leads to disconnection, an essential element in Furnivall's theory of plural economy. Furnivall argues that economic progress does not lead automatically to improvements in social welfare. It is here that Polanyi's analysis of the double movement adds much to an understanding of Furnivall. From an institutionalist perspective, social welfare is improved only when activities are organized that provide directly for social welfare. In Polanyi's analysis, the movement to provide social protection consists precisely of the organization of activities that provide directly for social welfare. But the constituent elements of a plural society have their own social lives; they interact almost exclusively in economic matters. Without a common culture, there is no common idea of that which promotes social welfare, and thus it is difficult to

[4]Furnivall's idea of social welfare is examined fully in chapter 3.

organize activities that directly provide for social welfare, or to articulate the general interests of the society-as-a-whole.

In the colonial context, however, it fell to colonial administrators to act for the society-at-large. The result was too often a misdirection of effort. Colonial administration sought to promote social welfare by promoting economic progress. Economic progress, driven primarily by western enterprise, could then provide funds for social services thought to be needed to promote social welfare. But funds generated by western enterprise went mainly to service the needs of western enterprise. Moreover, the social services provided by colonial governments were not consistent with the ideas of social welfare held by indigenous peoples and were therefore, too often, ineffective.

Finally, the processes constituting plural economy failed to provide a basis for sustained economic development. Thus economic stagnation itself was integral to plural economy.

Though all chapters are necessary for a full examination of Furnivall's theory of plural economy, the connections between Furnivall, Polanyi, and the American institutionalists are most important for gaining a deeper understanding of Furnivall's theory of plural economy. Chapters 8 and 9 thus provide the most important, and original, contributions of this dissertation.

Chapter 10 provides some concluding remarks.

Still, one may ask why a deeper understanding of Furnivall is itself of any importance. What, in other words, does Furnivall say that is of interest to contemporary readers? To answer this question, it must first be emphasized that the theory of plural

economy is more than just a set of ideas. The central ideas of plural economy--domination, disintegration, liberation, pluralization, disconnection, misdirection, and stagnation--have been expressed by many authors, and have been used in other interpretations of the colonial experience. In the theory of plural economy, however, Furnivall combines these ideas into a coherent whole, in which the interconnections among the ideas (and, more importantly, the interactions among the processes represented by these ideas) is as essential to the theory as the individual ideas themselves. Forming a coherent theory of social and economic change from these ideas is Furnivall's most important contribution to modern social science.

Further, Furnivall used his theory of plural economy to produce one of the most important and unique interpretations of the colonial experience. His explanation of the pattern of social and economic change in the modern colonial era recasts the history of economic development of the third world. Moreover, his analysis provides an example of how economies can be studied as cultural phenomena; his analysis specifically points out the importance of culture, especially culture contact, in processes of social and economic change. Thus his work provides probably the best example of institutional economics in the field of economic development.

Furnivall's institutional analysis is relevant also to contemporary conditions in the third world, especially where elite groups with less attachment to traditional points of view determine social, political, and economic agendas, and where significant cultural, ethnic, or tribal differences remain. Furthermore, cultural and ethnic divisions have been exacerbated in other parts of the world in recent years. Such divisions have taken on new

importance with the end of communist rule in the Eastern Block countries, especially in the former Soviet Union and Yugoslavia. Furnivall's ideas could provide important insights into the role that social divisions play in processes of social and economic change in these countries. His ideas could thus help to explain the processes that led to present conditions, as well as point to the kind of activities needed to provide for better conditions in the future.

CHAPTER II

JOHN SYDENHAM FURNIVALL

John Sydenham Furnivall was born February 14, 1878 in Great Bently, Essex, England, and died in England eighty-two years later. He served in British Burma for twenty years as an officer in the Indian Civil Service.[1] Later he was a university lecturer and an advisor to the government of Britain and independent Burma. He was a life-long student of colonial affairs, recognized as one of the world's foremost experts on Burma and, along with Lord Hailey of African fame, became one of the two most influential analysts of colonialism produced by the British colonial experience.[2]

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[1]Until 1937, Burma was administered by the Indian Civil Service as part of British India. In that year the Government of Burma became directly responsible to Parliament when the Secretary of State for India became the Secretary of State for India and Burma, with an Under-Secretary for Burma as head of the Burma Office.

[2]William Malcolm Hailey was born in 1872 and died in 1969. He entered the Indian Civil Service in 1894 and was posted to the Punjab the following year. His career with the Indian Civil Service was marked by extraordinary success. In 1912 he became the first Chief Commissioner of the province of Delhi. In 1924 he became Governor of the Punjab, and in 1928 he was named Governor of the United Provinces. Hailey retired from India in 1934. In 1936 he became 1st Baron of Shahpur (Pakistan). On his retirement from India he directed the research that lead to An African Survey (London: Oxford University Press, 1938). This work was a remarkable achievement, and forms the basis of Lord Hailey's reputation as an expert on colonial rule in Africa. His publications on African colonial issues include Native Administration in the British African Territories, 4 vols. (London: H.M. Stationery Office, 1950-53); and Republic of South Africa and the High Commission Territories (London and New York: Oxford University Press, 1963).

I. Ideas

Furnivall wrote widely on Burmese culture, history, and economy, and on the administration of British Burma. A complete bibliography of published material would contain more than 150 items.[3] From his first articles, published in 1909 and 1910, Furnivall demonstrates an interest in explaining the organization of economic activities in Burma. In his first article, "Land as a Free Gift of Nature,"[4] published while he was an Assistant Settlement Officer, he discusses the rights that define "ownership" of land in relation to its use and availability in Burma. In his second article, "The Organization of Consumption,"[5] he argues that the economic theory that developed in the west is deficient in that it neglects the role of culture in economic life. Thus very early in his career Furnivall demonstrated doubts about the use of western ideas in general, and of "accepted" economic theory in particular, to explain Burmese economic organization.

Furnivall also became a student of Netherlands India and wrote a comparative analysis of British and Dutch colonialism, which forms a large part of his most important

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[3]A bibliography of Furnivall's work appears as an appendix to this thesis. This bibliography is included to give a better sense of Furnivall's writing over the course of his career. The appendix contains only those works that are cited in the Bibliography of this thesis. It thus includes only those items that the author of this thesis himself has examined. The appendix arranges the works of Furnivall by date of first publication, except where, as indicated, the date of authorship is more appropriate. Where indicated, citation information and dates of authorship are based on the bibliography of Frank N. Trager (see n. 6, p. 11), which is a valuable source of information for students of Furnivall.

[4]J.S. Furnivall, "Land as a Free Gift of Nature," Economic Journal 19 (1909): 552-62.

[5]J.S. Furnivall, "The Organization of Consumption," Economic Journal 20 (1910): 23-30.

work, Colonial Policy and Practice. There he most fully articulates his unique interpretation of social and economic change under colonial rule. This work is the culmination of a lifetime of experience, scholarship, and analysis, and has been called an "intellectual autobiography" by another student of Burma.[6] After the Second World War his attention turned to some of the most important political questions of the day: the relationship between newly independent countries and former colonial powers, and the formation of independent governments that could promote social and economic development.

In spite of such apparently diverse interests, Furnivall was primarily concerned with a single, over-riding question: How, despite decades of contact with and administration by western powers, did countries under colonial rule fail to develop socially, politically, and economically? Furnivall approached this question by viewing economies as aspects of particular societies, and by analyzing economic change as part of the process of contact of different cultures.

Furnivall's interpretation of economic change under colonial rule explains more of the facts of the colonial experience than other interpretations. Radical interpretations of colonialism tend to emphasize economic exploitation and the disruption of indigenous

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[6]Frank N. Trager, Furnivall of Burma: An Annotated Bibliography of the Works of John S. Furnivall, Bibliography Series No. 8 (New Haven, Conn. and Vancouver, British Columbia: Yale University Southeast Asia Studies and Department of Asian Studies, University of British Columbia, 1963), p. 3. Hereafter referred to as Bibliography of Works of J.S. Furnivall.

societies.[7] Exploitation, however, is difficult to define or to demonstrate conclusively. There was exploitation but, if indigenous peoples in colonial areas had developed their own resources and administered their own affairs in ways that allowed for their participation in an evolving international political and economic order, there would have been no colonial experience to explain. There was social disruption; radical writers count this among the crimes of colonialism. By another interpretation, however, the social change that accompanied colonial rule was disruptive because it was incomplete: if it had been possible to produce black Englishmen, brown Dutchmen, or yellow Frenchmen, there would have been no colonial problem.

Non-radical writers often emphasize the economic progress that occurred in the colonial era.[8] But these writers too often fail to recognize that increased output did not improve social welfare in colonial areas. Where the colonial experience was longest, in Netherlands India under the Dutch and in India under the British, there was a common recognition of a failure to improve social welfare in spite of increased output. Some writers have recognized this problem--scholars associated with the MIT Indonesian project of the early 1950s, for example. Thus Benjamin Higgins' "technological dualism" and Clifford Geertz's "agricultural involution" are significant contributions to understanding

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[7]"Radical" interpretations here refers Marxist interpretations as well as non-Marxist interpretations that are highly critical of colonial rule.

[8]"Non-radical" writers here refers to those writers who tend to justify imperial rule. They also tend to rely heavily on the tools of standard economics. (The meaning of the term "standard" economics will be discussed in chapter 8.)

the processes of economic development.[9] But these writers have failed to explain an important component of the colonial experience: that social welfare failed to improve despite the expressed policy and concerted efforts of colonial administrators. The point deserves emphasis--colonial administrators failed to improve social welfare in colonial areas, but not because they did not want to improve welfare and not because they did not try. Furnivall's interpretation of the colonial experience is important because it explains why colonial policies, meant to promote social welfare, so often failed in practice.

Furnivall's ideas were formed by his experience and research as an officer in the Indian Civil Service. (He retained his interest in, and continued his research on, colonial issues over his entire life. His career and writing will be discussed more fully in chapter 6.) Focussed mainly on colonial problems, his ideas form a major contribution to an understanding of the colonial experience. But his ideas need not stand alone. Other writers, who focussed on other problems, used similar ideas to address different situations.

Developments in the social sciences in the late nineteenth century brought to the field of economics new ideas that were taken up and developed by Thorstein Veblen and John R. Commons, whose works form the original contributions to the literature of American institutionalism. Although coming from Central Europe, Karl Polanyi used ideas similar to the American institutionalists in his analysis of social and economic change in Europe in the nineteenth and twentieth centuries, as well as in his analyses of ancient economies.

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[9]See Benjamin Higgins, Economic Development: Principles, Problems, and Policies, Revised edition (New York: W.W. Norton & Company, Inc., 1968 [c1959]), pp. 17-20; and Clifford Geertz, Agricultural Involution: The Process of Ecological Change in Indonesia (Berkeley, Cal.: University of California Press, 1971).

The ideas that form the connections between Furnivall and Polanyi and the American institutionalists make their economics a distinctly social science. Furnivall derived his ideas from his study of colonial development, and his work adds another dimension to institutional thought: an analysis of the colonial experience and, more broadly, an analysis of major consequences of contact between cultures unequal in power.

Thus Furnivall's ideas are valuable not only for understanding the colonial experience; they are relevant to many of the most important questions facing the less developed countries of the world today. The post-colonial era has not witnessed a perfect joining of economic progress and social welfare. Good intentions are still not enough. Moreover, Furnivall's work is relevant to such recent interests as the relationship between democracy and economic development. British administrators wanted democratic self-government, and they tried to introduce democratic institutions. There are lessons still to be learned from the colonial experience.

II. Life

In 1892 Furnivall entered Royal Medical Benevolent College in Epsom. In 1897 he entered Cambridge University, where he studied at Trinity Hall on a scholarship, taking the Natural Science Tripos in 1899. During 1901-02 he trained for the Indian Civil Service.

In December 1902, Furnivall arrived in Burma. His first assignment was at Moulmein. From 1903 to 1906 he received a series of assignments at Toungoo, Kawkareik, Moulmein (again), Paungde, and Nyaunglebin. In 1907, service records

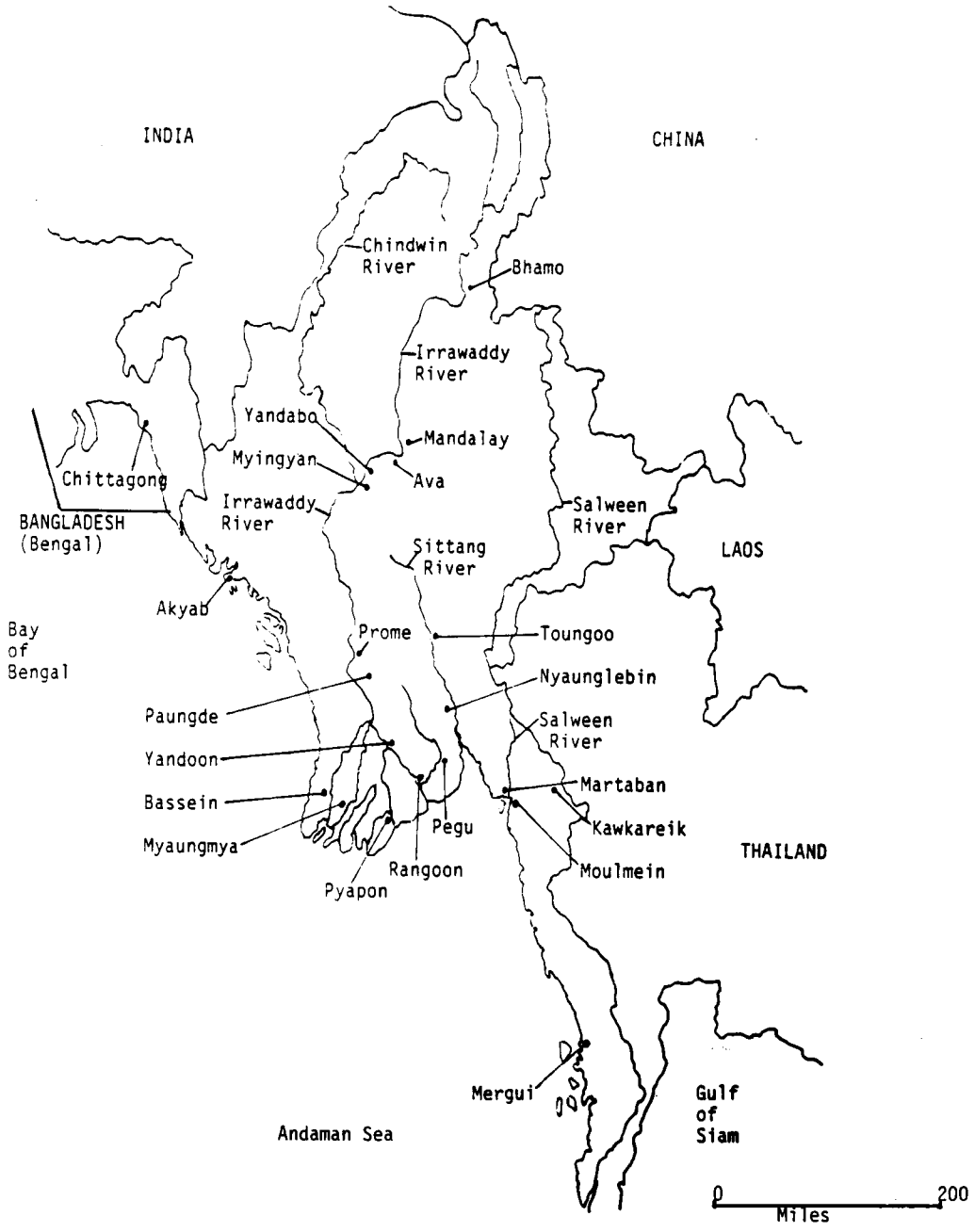


Figure 1. Burma

Adapted from Atlas of the World, Revised Third Edition (Washington, D.C.: National Geographic Society, 1970), p. 138; F.M. Bunge, ed., Burma: A Country Study (Washington, D.C.: U.S. Government Printing Office, 1983), p. 18; and F.S.V. Donnison, Burma (New York and Washington: Praeger Publishers, 1970), map facing p. 252.

indicate, he served as Deputy Commissioner at Myingyan. (The Deputy Commissioner, often referred to as the District Officer, functioned primarily as a magistrate and collector of government revenue. More will be said later about the duties of officers of both the British and Dutch colonial governments.) From 1907 to 1914 Furnivall was Assistant and later Settlement Officer in Hanthawaddy (Rangoon) and Myingyan. (The Settlement Officer decided land tenures and assessed the land revenue payable to the government.) During 1915-19, he was Deputy Commissioner at Mergui, Myaungmya, and Pegu. Furnivall was Commissioner of Settlements and Land Records from 1920 to 1923, and was President of the Committee Appointed to Examine the Land Revenue System of Burma during 1920-21. In 1921 he was also Commissioner of Pegu. Furnivall retired from the Indian Civil Service after taking leave in 1923.

Furnivall's interest in furthering the study of Burmese society is reflected in his participation in the founding of the Burma Research Society in 1910. He contributed to its journal, The Journal of the Burma Research Society, for nearly five decades. His interest in education can be seen in his founding of the Burma Book Club and The World of Books magazine in 1924. He founded the Burma Education Extension Association in 1928 and occasionally served as Lecturer at University College and at Judson College, both of which were later incorporated into the University of Rangoon.

In 1931 Furnivall returned to England. From 1933 to 1935 he travelled to The Netherlands and Java to study the Dutch colonial system. These studies led to the

publication of Netherlands India: A Study of Plural Economy in 1939.[10] Then, from 1936 to 1941, he was Indian Civil Service Lecturer on Burmese Language, History, and Law at Cambridge University. In 1942 he undertook the research for the Government of Burma that resulted in Colonial Policy and Practice. (During the remainder of the war years he served as Air-Raid Warden at Cambridge.)

Furnivall returned to Burma in 1948. In these later years he continued his service to Burma, most importantly as Advisor on Planning to the Government of the Union of Burma.[11] These years were also a time of recognition for his previous service to Burma, as well as recognition of his contributions to the study of Burmese social and economic history and to the study of the colonial experience. Furnivall was awarded the Order of Orange-Nassau by The Netherlands in 1948, and Thado Thiri Thudhamma by the Government of the Union of Burma in 1949. Furnivall lectured at the University of Chicago in 1940, at the National University in Canberra, Australia in 1950, and at the University of Hawaii in 1954. In 1955 he was Visiting Professor at Cornell and Johns Hopkins Universities. In 1957 he received an honorary degree from the University of Rangoon.

In 1960 Furnivall returned to England. He was scheduled to return to Burma to teach at the University of Rangoon, but he suffered a stroke and died on July 7th of that year.

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[10]John S. Furnivall, Netherlands India: A Study of Plural Economy (Cambridge: Cambridge University Press, 1939). Hereafter referred to as Netherlands India.

[11]In this thesis the Government of Burma will refer to the British colonial government, while the Government of the Union of Burma refers to the independent, post-colonial government.

CHAPTER III

PLURAL ECONOMY

The ideas that J.S. Furnivall used to interpret economic change in Burma and Netherlands India provide a theory of "plural economy." Furnivall calls his theory of plural economy the "political economy of a plural society," a society in which peoples of two or more cultures live without sharing a common culture.[1] Examination of his theory of plural economy provides an overview of his interpretation of colonial development. The elements of plural economy are:

(I) Domination, or the establishment of colonial administration in colonial areas by western governments.

(II) Disintegration of the indigenous society, which comes about through processes of institutional change associated with colonial administration.

(III) Liberation of economic forces, which is the result of new socioeconomic mechanisms, not the result of the introduction of new economic motives.

(IV) Pluralization, the emergence of a plural society, which results because immigration serves the needs of administration and commercial efficiency rather than the interests of social welfare and development. Though immigration plays an essential part

[1]Furnivall, Netherlands India, p. 449. Furnivall uses the term "plural economy" in Netherlands India, and the term "tropical economy" in Colonial Policy and Practice. They have the same meaning, but "plural economy" implies a more general concept and therefore will be used in this thesis.

in the emergence of a plural society in Furnivall's analysis, I shall argue that the presence of colonial government alone can lead to plural economy.

(V) Disconnection, the idea that there is no necessary connection between economic progress and social welfare, which leads to the possibility that economic progress might fail to improve social welfare in plural societies.

(VI) Misdirection refers to the frustrated attempts by colonial governments to improve social welfare, either directly by providing welfare services or indirectly by promoting economic progress. It arises because of defects in the administration of welfare services and the transformation of instruments of welfare into instruments of progress alone.

(VII) Stagnation, or the argument that failure to improve social welfare will slow down or stop economic development.

The elements of plural economy are closely interdependent. But domination, liberation, disintegration, pluralization, disconnection, misdirection, and stagnation are not steps in a process that results in plural economy. Nor are they stages through which a plural economy passes in the course of its evolution. Nor are they logical categories of analysis that constitute the theory of plural economy. Rather, the elements of plural economy are integrated aspects of the processes of social and economic change examined by Furnivall. The elements are presented in the particular order--domination, liberation, disintegration, pluralization, disconnection, misdirection, and stagnation--because of the ways in which the elements interact. Domination, liberation, and disintegration are the processes that give rise to the plural society--itself an element of plural economy. The plural society in turn gives rise to the problems of disconnection, misdirection, and

stagnation. Thus, while all elements are present in a plural economy, pluralization--the emergence of the plural society--is central or pivotal to a plural economy. All elements of plural economy, however, will be examined in the following discussion.

I. DOMINATION

Domination is the administration of colonial areas by western governments. It is an important element of plural economy. But, as will be examined more thoroughly in chapter 7, Furnivall was concerned not with the origins of colonial rule, but with the nature and consequences of colonial rule. Thus, though the theory of plural economy is an important contribution to the literature on colonialism and imperialism, it does not provide an interpretation of colonial rule, or domination, itself. Rather, plural economy is an interpretation of social and economic change experienced under colonial rule. As an element of plural economy, therefore, domination itself requires no further explanation.

II. DISINTEGRATION

The establishment of colonial administration began a process of institutional change that weakened or replaced indigenous institutions. New activities were organized, and new opportunities were available to indigenous peoples. New institutions were introduced to organize new activities and to organize new mechanisms of social control. In this process, older institutions were replaced and weakened.

When new institutions are introduced, it is possible that some activities remain unorganized because the new institutions do not provide for the same needs or perform

the same functions as traditional institutions. New institutions can therefore simply fail to organized activities that indigenous peoples want. Even if new institutions address the same needs, the people might, for a time, not understand how the new institutions work. This is even more true if the new institutions organize new activities. Naturally, some people will be able to manipulate a new institutional arrangement for their own particular ends, weakening its ability to provide for a more general benefit. Further, new institutional arrangements can conflict with traditional beliefs and practices, or try to organize activities that indigenous peoples do not want. Furthermore, it is unlikely that newly introduced institutions will fit consistently with each other. It is much less likely that they will be consistent with traditional institutions. These are all elements in the processes of social disintegration.

In discussing the economic consequences of social disintegration within the plural society, Furnivall uses the concepts "social wants," "social demand," and "social will." Special attention must be given to these terms, for they are not common terms in the literature of economic development.

Societies change over time, often in adapting to new circumstances, including contact with other societies, and develop distinctive cultural characteristics. Societies thus develop ways of organizing social life in all its aspects, including religious beliefs and practices, artistic expression, forms of political control, kinship systems, and ways of organizing resources to provide the material means of life. In short, each society develops its own way of life. Individuals learn, through both formal and informal instruction, the ways of life of their specific societies in a process that anthropologists call

"acculturation." As members of specific societies, individuals develop wants that can be satisfied only as members of specific societies. Individual wants find economic expression as demand. Social wants find economic expression as social demand. But social demand is no simple aggregation of individual demands; it is demand that finds expression only through the organized activities of a specific society to achieve or maintain a particular way of life. Social demand is made most conspicuous by its absence, which leads to social degradation. Furnivall notes, "It is a matter of economic indifference whether a man sings in his bath or says his prayers, but social hygiene and common prayer involve organization and expenditure."[2] The problem is that social wants are expressed differently by each of the cultural groups that make up the plural society--which is to say nothing more than that each group has its own way of life that it thinks good and proper. Further, because the various elements of the plural society do not combine to form a common culture, there is no social demand common to the society at large. Social demand is organized social activity, and more easily finds expression in a homogeneous society, where a common culture is shared by the constituent elements. In a homogeneous society, social demand for a particular way of life forces economic progress to serve social welfare, while improved welfare provides a basis for further progress. Social demand is weak in a plural society because each section has its own way of life, and because of the difficulty of organizing activities for the common good.

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[2]Furnivall, Netherlands India, p. 448.

The weakness of social demand in plural societies is a major consequence of social disintegration. Moreover, social disintegration plays an important role in the liberation of economic forces.

III. LIBERATION

The liberation of economic forces accompanies the establishment of colonial administration. Economic interests are intensified because new ways of organizing economic activities are introduced, because the emergence of the plural society itself creates a situation in which the constituent groups share little apart from economic interests, and because indigenous institutions that formerly controlled economic activities are weakened. Indeed, an outstanding trait of the plural society is the intensity of the economic interest.

Furnivall agrees with Dutch economist Julius H. Boeke, the leading exponent of the theory of dual economy, that in colonial Asia "there is materialism, rationalism, individualism, and a concentration on economic ends far more complete and absolute than in homogeneous Western lands."[3] Boeke's comment applies not only to Europeans, but to the Chinese and other foreign elements as well as to those members of the indigenous society "who have adopted a Western mentality as their own, and who possess and use those qualities which modern capitalism requires of its representatives."[4] One of the

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[3]Furnivall, Netherlands India, p. 452, quoting J.H. Boeke.

[4]Furnivall, Netherlands India, p. 457, quoting J.H. Boeke. Here "mentality" should be read as close to the French "mentalité"--a set of related attitudes, ideas, beliefs, or perceptions of the world.

consequences of the inordinate intensity of the economic interest is that it becomes more difficult to control in the general interest. More importantly, the element of liberation interacts with domination and disintegration to give rise to the plural economy itself, to pluralization.

IV. PLURALIZATION

Pluralization--the emergence of a plural society--is, to repeat, the pivot of Furnivall's analysis because the plural society evolves from the processes of domination, disintegration, and liberation; and because the plural society in turn gives rise to the problems of disconnection, misdirection, and stagnation. The idea of the plural society is thus an integral part of Furnivall's theory of plural economy. The most complete articulations of the concept of the plural society are found in his most important works, Colonial Policy and Practice and Netherlands India. Both were published well after Furnivall's retirement from the Indian Civil Service in 1922. The plural society is thus part of Furnivall's mature thought.

To Furnivall perhaps the most distinctive characteristic of Burma, Java, and other parts of tropical Asia was the division of society along cultural lines.[5] This cultural

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[5]To Furnivall, "[P]erhaps the only plural society inherently stable is the Hindu society in India." Though Indian society is divided into castes "with distinct economic functions," it is stable because caste receives a "religious sanction" in Hindu culture. One could argue that Indian society is not a plural society by Furnivall's definition because there is a common culture to which all castes belong. But it is more appropriate to consider India a plural society and to disagree with Furnivall that it is "inherently

division of society is the essential characteristic of the plural society. Although he often refers to races--as did most people of his generation--he means a situation where peoples of two or more cultures live side by side, with little interaction in other than economic matters, and without creating a society with a common culture shared by all.

It is necessary to distinguish between a plural society and a society with plural features. In societies with plural features different groups live side by side but are part of the same culture. In the west, and in the east before contact with the west, there existed societies that had plural features. A current example of a society with plural features would be the United States, where different groups with different racial, religious, or ethnic backgrounds nevertheless share a common culture. Such societies are societies with plural features, but they are not plural societies. The distinguishing characteristic of societies with plural features, compared to plural societies, is that there are some common points of agreement in the society with plural features. These common points

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stable." The common objective of Indian castes is to rise within the system of caste, or, more actively, to prevent a lower caste from improving its position. Lower castes will not cooperate to improve their positions together, since a lower caste must improve its position relative to other lower castes. Higher castes, in contrast, may cooperate to prevent a lower caste from improving its position. The caste society of India thus severely limits the possibilities of common interests, a condition that is not mitigated, but encouraged, by religious sanction. Further, the colonial government itself represented a foreign culture. New economic opportunities and new ways of organizing economic activities were introduced by the colonial government. Intercaste conflict worked to exacerbate the consequences of contact with the colonial government. One can therefore conclude that Furnivall's theory of plural economy applies equally to British India as well as Burma, Netherlands India, or other, more obvious examples of plural societies. [Quotations from Furnivall, Colonial Policy and Practice, p. 308. See Fred G. Bailey, Caste and the Economic Frontier: A Village in Highland Orissa (Manchester: Manchester University Press, 1957), for an interesting analysis of intercaste conflict and economic change in an Indian village. That Furnivall's ideas apply to British India is based on personal communication with Walter C. Neale.]

of agreement, by definition, cut across group lines. A good example of a common point of agreement in the United States would be acceptance of decisions of the Supreme Court as the law of the land.

Confined almost exclusively to economic matters, intergroup relations in a plural society do not further cultural unification, but in fact maintain cultural separation. Further reinforcing cultural separation is the "division of labour along racial lines. Natives, Chinese, Indians and Europeans all have different functions, and within each major group subsections have particular occupations."[6]

V. DISCONNECTION

An important theme running through Furnivall's major works is the idea that economic progress did not lead to improvements in the welfare of the indigenous peoples of the colonial areas. In fact, to Furnivall, this was one of the most important aspects of the colonial experience. His explanation for this fact, in which the elements "disconnection" and "misdirection" play important parts, forms an integral part of his theory of plural economy. It is therefore necessary to clarify Furnivall's distinction between economic progress and social welfare.

The distinction between economic progress and social welfare is fundamental, even crucial, to Furnivall's theory of plural economy, and vital to understanding why the efforts of colonial governments to improve social welfare were so often frustrated. It will

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[6]Furnivall, Colonial Policy and Practice, pp. 304-305. Again, I would rephrase this, for today's reader, to say "racial and cultural."

first be necessary to examine the role that culture plays in Furnivall's distinction between progress and welfare. Then, the relationships among welfare, culture, and national income accounting will be examined. It will then be possible to state more explicitly the reasons why economic progress and social welfare are often confused. Then, the reasons that government policies, especially those intended to improve social welfare, were frustrated will be made more explicit in an examination of the relationships between welfare, social demand, and the social services provided by governmental agencies. Finally, the relationship between welfare services and government revenue will be examined.

Progress, Welfare, and Culture

Progress is increasing output per capita; it "consists essentially in making two blades of grass grow where one grew previously."[7] Progress is thus objective and measurable, even if different measures are used for different purposes. Welfare, in contrast, is a fundamentally different concept, for welfare is not measurable. Welfare is a quality, not a quantity, and thus in large part, if not completely, subjective.

Welfare is a quality of life deriving from satisfying wants in an acceptable manner--or getting what is wanted in the way that it is wanted. Some of these wants people can satisfy as individuals; many can be satisfied only as members of society. These wants are different in different cultures. Also, they can change over time, as can what are considered acceptable means of satisfying them. Moreover, such wants need not be

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[7]Furnivall, Colonial Policy and Practice, p. 436.

recognized, for "welfare depends [as well] ... on those needs of which one is not conscious until they are frustrated."[8]

As individuals, people express a variety of preferences but, as a social phenomenon, "a general idea of welfare conforms to a common pattern which can be seen by looking at what [people] make of their own social life under favourable circumstances." A closer look at the "common pattern" of social life in Burma, for example, reveals Burmese ideas of welfare and the extent to which some wants can be satisfied as individuals and other wants only as members of society. It is possible to meet certain basic wants--of food, clothing, and shelter--as individuals and according to Burmese standards. But there are social wants that require the consent and common action of the community. The villager wants "his village ... to have sufficient house room, good roads and paths, a good water supply for men and cattle, adequate sanitary conveniences, shady open spaces for social intercourse, and common land for general village amenities in respect of grazing, fuel and so on." In Burma a high value is placed on the monastery, with monastic school, pagoda, and rest houses. A satisfying social life must provide recreation and entertainment, including religious and social festivities, fulfilled to Burmese standards. This, according to Furnivall, is an "outline sketch of the Burmese idea of welfare." Further, the "Burman wants these things, and he wants, chiefly, to get them to his own liking and in his own way."[9]

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[8]Furnivall, Colonial Policy and Practice, p. 436.

[9]Furnivall, Colonial Policy and Practice, all quotations from p. 438. [Emphasis added.]

National Income, Welfare, and Culture

"[S]tatistics," says Furnivall, "afford no criterion of welfare in a plural society unless they furnish information separately for each important section of the community."[10] However, statistics on trade or income, even if disaggregated by racial or cultural categories, only provide some indication of individual welfare, not of social welfare. Statistics of growth in such classifications as foreign trade or national income, even for each community, can be interpreted to imply growth in welfare only when there are strong, institutionalized, and mutually reinforcing social connections among economic progress, individual welfare, and social welfare. These connections do not exist in a plural society. Furnivall notes that efforts to collect data relevant to various ethnic groups were made by Dutch officials in Netherlands India, but not by British officials in Burma. Furnivall remarks that no less eminent an authority on African colonial affairs than Lord Hailey commented that the statistical record could have been significantly improved with little or no additional expense. It is unfortunate that such efforts were not made, for "the general neglect to provide means for judging how far the benevolent aspirations expressed in statements of colonial policy bear fruit in practice, naturally affords a handle for critics

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[10]Furnivall, Colonial Policy and Practice, p. 416. [Emphasis added.] The distribution of income among various sectors of the economy can have important implications for welfare as well as for the pattern of economic development. Obviously, great disparities in income distribution imply relative impoverishment, or non-participation in the money economy, for some groups. Further, disparities in income distribution have implications for the composition of aggregate demand, which may variously affect different sectors of the economy and, in turn, reinforce the original income disparities. See William J. Barber, The Economy of British Central Africa (Stanford, Cal., Stanford University Press, 1961), for a treatment of these issues in an African context.

of colonial administration to suggest that it [was] more keenly interested in economic progress than in native welfare."[11] Nevertheless, Furnivall suggests that some use can be made of data on various aspects of social life such as debt, civil litigation, crime, health, and education.

National income is often assumed to provide some measure of welfare. But national income provides no measure of social welfare where there is no homogeneous society. Support for this position is found in the work of S. Herbert Frankel, one of the pioneers of development economics. Problems of comparison of national income aggregates between developed and underdeveloped countries or, as Frankel himself had attempted in South Africa, the measurement of the national income of an area that includes different "economies" arise because "the attempt by the individual to obtain what we call 'income' is an attempt to achieve a social purpose and is not an isolated activity."[12] Thus national income itself is defined and quantified through a social process, and provides an indication of welfare only when a common culture is shared by the various groups constituting the society.

The measurement of national income aggregates in plural societies, using accounting techniques developed in homogeneous industrial societies, is employing a "concept of abstract welfare ... as a bridge ... between different incomparable welfare systems." More relevant to the themes addressed by Furnivall, however, is Frankel's statement that "it is

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[11]Furnivall, Colonial Policy and Practice, pp. 416-417.

[12]S(ally) Herbert Frankel, The Economic Impact on Under-Developed Societies: Essays on International Investment and Social Change (Cambridge, Mass.: Harvard University Press, 1953), p. 30.

not a change in the national dividend or measurable net money income, as narrowly defined, which causes a change in welfare, but ... it is a change in what is, by habit, custom, or belief, regarded by the society as constituting welfare which determines the nature, and frequently the amount, of the national dividend itself."[13]

Welfare and Progress

The relationship between social welfare and economic progress requires further examination. Welfare is confused with progress when "it is assumed that because a country produces more the people will be better fed, better clothed and better housed."[14] But it was a common observation of those familiar with colonial affairs (both British and Dutch) that increased output did not lead to sustained improvement in the standard of living of the people in general. The failure of economic progress to promote social welfare was one of the major defects of colonial policy and practice that Furnivall attempted to explain. It is here that the idea of disconnection comes into play. Disconnection refers, first, to the idea that activities that lead to economic progress do not necessarily promote social welfare; and, second, to the idea that economic development requires the presence of a social demand for those activities that do directly promote welfare.

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[13]Frankel, The Economic Impact on Under-Developed Societies, pp. 32, 41. [Emphasis added to the first quotation. Original emphasis in the last quotation.]

[14]Furnivall, Colonial Policy and Practice, p. 437.

Social Services, Social Demand, and Welfare

Economic development does not lead directly to improvements in welfare; in fact, economic development itself creates further needs to provide services that directly improve welfare. Commenting on the industrial revolution, T.S. Ashton reaches similar conclusions. "Experience has taught us," he writes, "that an industrial society needs a framework of public services if it is to operate without social discomfort."[15] In a similar vein, Furnivall says that "[d]evelopment creates a demand for social services, for the protection of land and labour, for the improvement of health and the multiplication of schools."[16] The more rapid the rate of development, the more urgent the need for services that provide for welfare.

But, in a plural society, efforts to achieve economic progress with improved social welfare are too often frustrated. The welfare services required by progress will only enhance welfare if there is an organized demand for the welfare services from the people: "as Lord Hailey has remarked, little can be done to promote welfare until the people themselves, or at least their leaders, are conscious of their needs."[17] Culture becomes again an important element of analysis. Ideas of welfare are conditioned by culture. That what the people desired was not what the colonial governments wanted them to desire frustrated attempts to enhance social welfare. When the social demand for welfare itself

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[15]Frankel, The Economic Impact on Under-Developed Societies, p. 26, quoting T.S. Ashton.

[16]Furnivall, Colonial Policy and Practice, p. 434.

[17]Furnivall, Colonial Policy and Practice, p. 435.

is not effective, welfare services cannot be effective. To enhance social welfare, therefore it is necessary to organize the demand for welfare itself, and to control economic forces in the interest of welfare.

Welfare Services and Government Revenue

It is often thought that economic development fails to promote welfare because the revenue available for welfare services is insufficient. Furnivall disagrees. The common argument is that economic development creates a need for welfare services that cost money; therefore increased spending on welfare services requires that the colonial government collect more revenue. To collect larger tax revenues a larger tax base is required, and a larger tax base requires economic development. Such was the official reasoning, with the additional assumption that economic development depended on western enterprise and western capital. So "[w]hen the machinery for enhancing welfare proves ineffective, a remedy is sought in more and more elaborate and costly machinery," the costs of which are to be met by stimulating economic development through the expansion of western enterprise.[18]

Furnivall addresses these issues, first, by pointing out that indigenous enterprise can also promote economic development. Indigenous enterprise can be stimulated by new opportunities and the maintenance of order, often without the aid of western capital. Indigenous enterprise does increase the costs of administration, but these costs increase much more rapidly as the result of the expansion of western enterprise. Logically, it is

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[18]Furnivall, Colonial Policy and Practice, p. 410.

only if the additional costs of administration resulting from expanded production by western enterprise are less than additional tax revenue that more funds can be made available for welfare services. Colonial tax revenues, however, did not in fact increase sufficiently to pay for expanded welfare services. "In practice," Furnivall notes, "there is a deficit, which is met partly by imposing new obligations in services or taxation on the natives, and partly from private contributions, native and foreign." Furnivall concludes that the facts contradict the theory, that western enterprise "provides only a part, apparently a minor part, of the cost of social services."[19]

VI. MISDIRECTION

Furnivall's criticism of the official reasoning for the need for growth of western enterprise is fundamental to his theory of plural economy. Expanding production through western enterprise does not provide a significant amount of extra revenue. More importantly, however, the welfare services provided by colonial governments, "though designed as instruments of human welfare, ... are perverted into instruments of economic progress."[20] This is the element of misdirection.

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[19]Furnivall, Colonial Policy and Practice, pp. 411, 413. [Emphasis added.] In light of the current emphasis on the role of foreign investment in economic development, it should be pointed out that the tax contributions of foreign enterprises must be greater than that needed to service the enterprise itself if it is to contribute to social welfare, rather than contribute simply to individual welfare through payments of wages and salaries to indigenous employees.

[20]Furnivall, Colonial Policy and Practice, p. 410. [Emphasis added.]

While the common experience of tropical dependencies was deteriorating social welfare in the face of economic progress, Furnivall suggests that few welfare services are actually needed for the provision of welfare. Further, "[w]here the people can be induced to want new amenities they will pay for them."[21] Therefore, it is not a lack of revenue that explains the decline in welfare.

To understand how the instruments of welfare became instruments of progress, it is necessary to examine what Furnivall calls "the machinery of welfare."[22] He distinguishes between the mechanisms of direct rule and those of indirect rule. It is therefore necessary to discuss what is meant by direct rule and indirect rule.

It is not always possible to provide a clear distinction between direct and indirect rule. Direct rule means colonial governments rule through officials (of either foreign or indigenous origin) who derive their authority solely from the colonial governments, and who apply laws formulated by colonial governments. Indirect rule means that colonial governments rule through indigenous officials, who derive their authority both from colonial governments and from their positions in indigenous systems of government, and who apply indigenous laws and customs in their rule (though these may be modified by the colonial government).

British rule in Burma was direct rule. But when the colonial government retained the use of traditional headmen to administer villages, an element of indirect rule was established. In parts of British Africa, colonial governments ruled through tribal

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[21]Furnivall, Colonial Policy and Practice, p. 415.

[22]Furnivall, Colonial Policy and Practice, p. 417.

chieftains, thus establishing systems of indirect rule. But the authority of the tribal chieftains was not as great as in the traditional systems, since the colonial government retained many administrative functions. Thus there were elements of direct rule in the systems of indirect rule of British Africa. The Dutch established a system of indirect rule in Netherlands India that included both a European and a Native Civil Service. But the Dutch exercised direct rule over western enterprise in Netherlands India, so that over time the system displayed more and more a dual nature. (The dual nature of Dutch colonial rule will be examined in chapter 5).

There is a close connection between the objectives of colonial powers and the form of government established in colonial areas.[23] The most important Dutch interest in Netherlands India was to secure tropical produce. This objective could most easily be achieved if the indigenous peoples were mobilized by their own leaders. Thus a system of indirect rule was established. British interests in Burma were to secure tropical produce, but also to provide a market for British goods, and this latter objective requires a more thorough introduction of western law and business procedures, and thus requires a system of direct rule.

Though representing different objectives and different principles of rule, neither direct rule nor indirect rule was able to avoid the consequences of plural economy. Furnivall insists that the plural society existed throughout tropical Asia, regardless of the objectives of the colonial powers and regardless of whether they exercised indirect or direct rule.

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[23]Furnivall, Colonial Policy and Practice, p. 276ff.

Misdirection was common to both direct and indirect rule. Direct rule liberated economic forces, leading to economic progress without reconstituting mechanisms of social protection to improve welfare. Welfare policy under direct rule was thus aimed at mitigating the consequences of the free play of economic forces. Indirect rule, by contrast, "trie[d] to soften the impact of economic forces by leaving the people under their own chieftains and their own customs."[24] Indirect rule thus tried to protect the people from the working of economic forces. But neither direct rule nor indirect rule was able to improve human welfare. The failure to enhance social welfare under direct rule and indirect rule will be examined in turn.

Welfare and Direct Rule

Direct rule, as exemplified by colonial Burma, led to the creation of an elaborate administrative machinery to provide various welfare services, often under the guidance of experts. But there are at least two requirements for success: coordination and continuity. Experts can apply their specialized skills to a wide range of problems. For example, the introduction of a new crop usually requires input from agronomists, botanists, entomologists, and experts in the fields of labor, water, and credit. Then, extending welfare services through a more elaborate administrative machinery means increasing departmentalization and specialization. Departmental experts naturally focus on their own particular interests, and often work at cross purposes. For example, "the fishery officer advises the people to breed fish, and the medical officer drains the ponds

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[24]Furnivall, Colonial Policy and Practice, p. 419.

to kill mosquitoes."[25] A more fundamental problem is that the experts try to establish the goals and standards of their own, foreign societies. Expert services in the homogeneous societies of the west are manifestations of the social recognition of problems and of social actions taken to solve them. They are expressions of social will, which can be thought of as the effective organizing of activities to provide for social wants. In homogeneous societies, experts are part of the societies in which they work and therefore see the problems to which they apply their knowledge within a known context. Welfare experts working in colonial areas often lack knowledge of social context. Even when experts have such knowledge--as, for example, when the expert is a member of the indigenous society--the goals and standards are still foreign. "In Europe the expert understands the public and the public understands the expert, because they have a common background, ... but in the tropics ... innovations are pressed on the people from outside." Welfare services are thus not expressions of social will in colonial areas, but rather expressions of colonial policy. When administrative policy takes the place of a common social will, officials must not only coordinate the activities of welfare experts, but must also "foster a demand among the people for their services."[26]

Colonial officials were seldom allowed the continuity of tenure needed for successful welfare administration. "Transient officials cannot possibly acquire the local knowledge that is necessary for promoting welfare." Administrative officials must know their districts and, more importantly, they must know the people of their districts. But it is

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[25]Furnivall, Colonial Policy and Practice, p. 420.

[26]Furnivall, Colonial Policy and Practice, p. 420.

difficult for officials to know the people when they rarely come into contact with them in anything but an official capacity. This then becomes another impediment to the development of personal influence on the part of administrative officials. Officials develop no sympathy for the people, and the people develop no confidence in the officials. The people mistrust the officials, and the officials find fault in the people. To Furnivall "there must be something wrong with the machinery of welfare if people like it worse as they get to know it better."[27] Such conditions did not favor the formulation and implementation of effective welfare policies, but it is easier to see failure in the people than to see defects in one's own administrative machinery.

Lack of continuity was a universal characteristic of colonial administration; periods of service in a post were often less than one year, rarely as long as three years. This lack of continuity was a serious defect in the machinery of colonial administration. First, it tended to render the whole administration more mechanical. Furnivall quotes Lord Hailey: "Universal experience shows that lack of continuity in the administrative services produces one inevitable result--the decay of the factor of personality and the substitution of a mechanical routine of administration."[28] Routine led to the growth of paperwork--a frequent complaint of colonial administrators. Paperwork is needed for accountability and professional standards, but it becomes a conspicuous burden on frequently transferred administrative officials. Routine is a sign of an impersonal bureaucratic machinery,

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[27]Furnivall, Colonial Policy and Practice, pp. 422-423, 425.

[28]Furnivall, Colonial Policy and Practice, p. 422, quoting Lord Hailey.

which--together with frequency of transfer--created a barrier to the development of personal influence on the part of administrative officials.

Welfare and Indirect Rule

The principle of indirect rule is expressed by Lord Hailey: "So far as deliberate policy can affect the issue ... it is clear that in the interests of the African himself, it should seek to moderate the pace of change, and allow full scope for the innate characteristics of the people to assert themselves in the conflict of forces that must ensue." Lord Hailey was speaking about Africa, but a general characteristic of indirect rule was protecting the people from the working of anti-social economic forces. An important feature of the machinery of indirect rule is thus the existence of "some native authority, assumed to represent the people, [who] can exercise personal influence among them and is more or less permanent."[29]

Indirect rule aimed to prevent rather than to cure. Protection was sought through slowing the pace of change or by allowing (or providing) a "buffer" against the working of economic forces. While not necessarily denying the long-run benefits of economic freedom, indirect rule at least implied a recognition that, in the short-run, unfettered economic forces can bring anti-social consequences--meaning that, during a period of transition to a more modern economy, welfare can be adversely affected.

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[29]Furnivall, Colonial Policy and Practice, both quotations from p. 427. First quotation from Lord Hailey.

In light of the previous discussion of direct rule, it would seem that indirect rule would have had greater success in promoting the welfare of the indigenous peoples than direct rule. Whereas no preliminary training in tropical economy was provided for entrants into the British Colonial Service, Dutch officials were "given a five years' course designed to help them to understand the East" before their arrival in Netherlands India. Native civil servants were required to take "a three years' course designed to give them an understanding of the West."[30] This would seem a promising foundation from which successful welfare policies could be implemented, but indirect rule also failed to improve social welfare in spite of great gains in economic progress.

Direct rule led to the liberation of economic forces, followed soon after by attempts to mitigate the harmful effects of economic change. But the effort to improve welfare was frustrated through the disconnection and misdirection present in the plural society. In contrast, indirect rule sheltered the people from economic forces, and then attempted to improve welfare by promoting more rapid economic progress. The effort led to progress but not to welfare. Again, the frustrating elements were disconnection and misdirection.

VII. STAGNATION

Stagnation is not merely the result of the interactions of the elements of plural economy already examined. It is itself an element of plural economy in that it contributes to and exacerbates the processes of liberation, disintegration, and misdirection. Moreover,

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[30]Furnivall, Colonial Policy and Practice, p. 421.

it contributed to the establishment of colonial administration itself, in as much as the failure of colonial peoples to respond favorably--in the view of western governments--to evolving international economic conditions led to the establishment of colonial rule.

Stagnation is the failure of areas under colonial rule to achieve sustained economic development, which requires sustained economic progress together with sustained improvements in social welfare. Rapid economic progress was not uncommon in the colonial period, but economic progress itself did not proceed without interruption. Further, as will be seen later with respect to Burma and Netherlands India, colonial governments were forced repeatedly to ask whether the welfare of peoples in colonial areas had improved under colonial rule. The fact that it was not clear whether there had been a general improvement in welfare is itself significant. At least, conditions were worse than colonial administrators had expected. This led to further reorganization of economic activities, and thus to further liberation and disintegration. Stagnation thus contributed to processes that were crucial to the emergence of the plural society, and thus it strengthened the very foundation of the plural economy itself. Further, stagnation led to deliberate attempts to improve social welfare. These attempts, as has already been seen, failed to recognize the element of disconnection and were frustrated by the element of misdirection.

The purpose of this chapter was to provide an introduction to plural economy. The next two chapters will show how the principles of plural economy are illustrated by the economies of colonial Burma and Netherlands India.

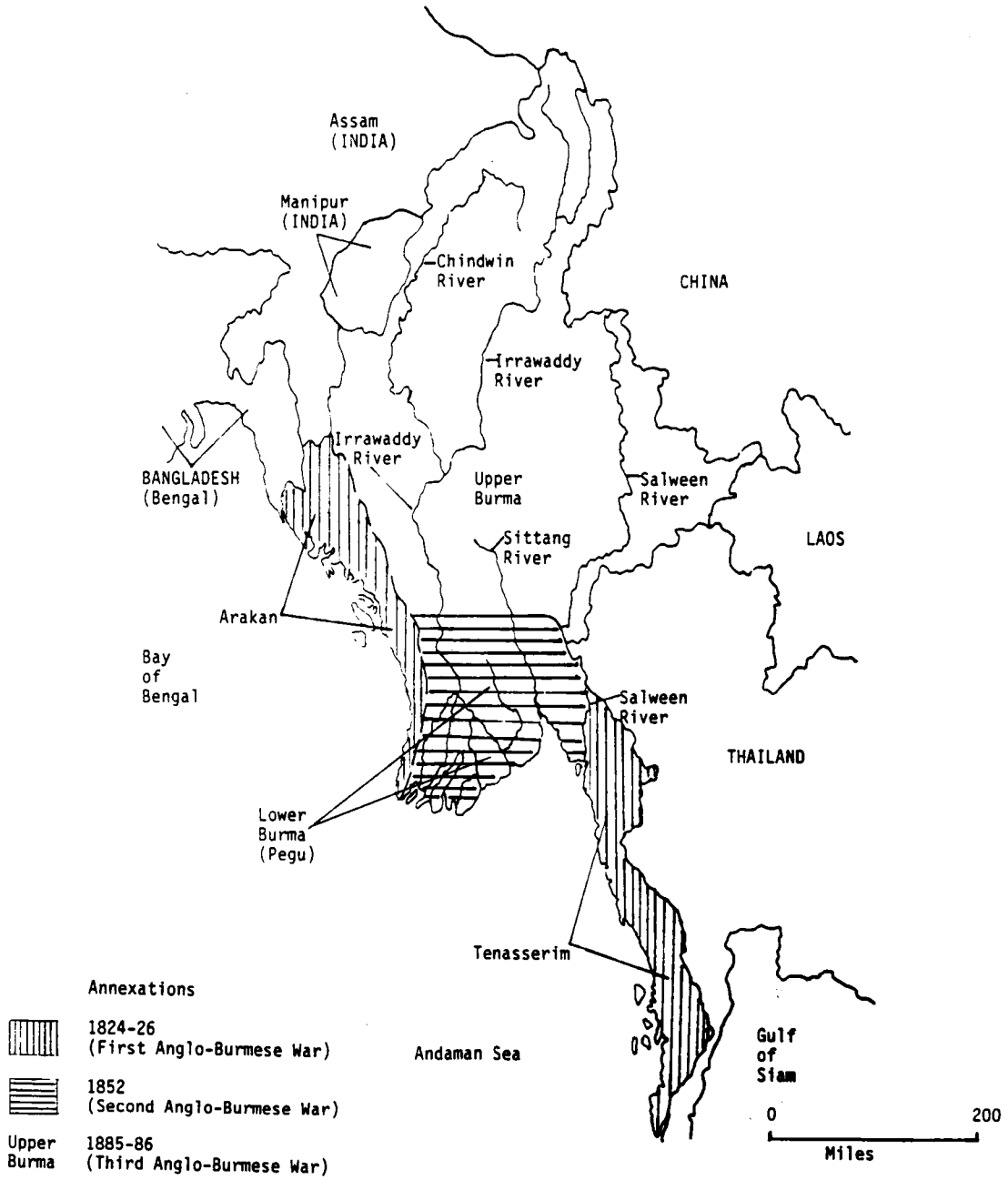


Figure 2. Upper and Lower Burma

Adapted from F.M. Bunge, ed., Burma: A Country Study (Washington D.C.: U.S. Government Printing Office, 1983), p. 18.

CHAPTER IV

PLURAL ECONOMY IN BURMA

The historical events and the social and economic conditions presented in this and the next chapter illustrate the plural economies of Burma and Netherlands India. While the examples used in these chapters are based almost entirely on the written work of Furnivall, they can be verified by reference to other, widely available sources; an effort will be made to point out some of these other sources. But neither of these two chapters is designed to provide, even in summary form, social and economic histories of Burma and Netherlands India. Rather, they are designed simply to give substance to Furnivall's theory of plural economy.

An effort has been made to give a common organization to chapters 4 and 5. Each chapter begins with an examination of important characteristics of the pre-colonial society. The institutional changes of the colonial eras are then examined. In the case of Burma, this section is organized around issues that were emphasized by Furnivall. It therefore focusses on the operation and evolution of the colonial administration, the changing organization of Burmese economic and social life (especially Burmese village life), and attempts by the colonial government to establish self-government in Burma. In the case of Netherlands India, the section covering the colonial era is organized around important periods of colonial rule. This, in fact, corresponds to Furnivall's way of treating Netherlands India. It thus begins with an examination of the era of the Dutch East India Company, moves on to the periods of Daendels, Raffles, and Van den Bosch, and ends

with an examination of the Liberal and Ethical Systems. The colonial era in Netherlands India lends itself to such an organization, which marks the tenures of important colonial administrators and important changes in colonial policies. It should be kept in mind that Netherlands India was the most important part of the Dutch colonial empire. Burma, in contrast, was a relatively unimportant part of the British colonial empire, and was ruled as part of British India until 1937. (If a comparable piece were written about British India, colonial Netherlands India would probably be a more appropriate model that colonial Burma would be.) Still, the examination of the colonial era in Netherlands India includes discussion of the operation and evolution of the Dutch colonial administration and the changing organization of indigenous economic and social life. Thus, the topics included in the sections on colonial rule in this and the following chapters are much the same.

After examining the institutional changes brought by colonial administration, both chapters examine the impact of colonial rule on economic progress and the social welfare of indigenous peoples. In chapter 5, these sections are again organized around the important periods of colonial rule, and include a brief discussion of conditions in pre-colonial Netherlands India. The sections examining economic progress and social welfare in colonial Burma are divided into two periods: 1826 to 1870 and 1870 to 1923. British rule in Burma began in 1826, while 1870 begins the period marked by the opening of the Suez Canal. 1923 marks the beginning of the implementation of the Government of India Act of 1919. This Act led to rapid developments in self-government in Burma. (An adequate account of these developments would expand the examination of social and

economic change in Burma beyond what is necessary for the purposes of this dissertation.) The hundred year period examined clearly establishes the pattern of changes that characterize plural economy. Furthermore, the periods examined here correspond to Furnivall's own examination of colonial Burma in Colonial Policy and Practice, and 1923 marks his own retirement from the Indian Civil Service. But while the sections dealing with economic progress and social welfare are organized into different periods in chapters 4 and 5, the issues are the same: How successful were the policies and actions of the colonial governments in expanding output in the colonial economies? And did economic progress lead to improvements in the standard of living of indigenous peoples?

Colonial Burma and Netherlands India provide examples of plural economy, and therefore add much to the examination of the theory of plural economy presented in this dissertation.

I. PRE-COLONIAL BURMA

Agriculture provided, as it still provides, the main source of livelihood in Burma. There, as in other places in Asia where cultivation was primarily for subsistence, the main locus of habitation was the village or hamlet. In pre-colonial Burma, life was carried out on a small scale and co-operation was necessary for the maintenance of social and economic life.

The "Orders" in Burmese Social Life

Two important divisions of Burmese society were the ahmudan and the athi.[1] The ahmudan consisted of those people who were liable to some form of regular public service. (The word ahmudan itself means "bearer of the duty."[2]) The athi, in contrast, paid taxes, but their obligations for public service were irregular (e.g., they could be called to serve in the army in an emergency). The athi were more homogeneous, and were considered inferior to the ahmudan. They paid a rent on their land and accepted payment in kind for the various duties they performed.

The ahmudan were divided into "specialized service units" called asu, or athin, whose membership was hereditary.[3] Some ahmudan were liable to military service, while others were liable to other forms of personal service. Military ahmudan were generally accorded

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[1]Many terms from Burmese and Indonesian languages will be used in this and the next chapter. The reader need not feel that it is important to remember them. Rather, they are used because there are no English equivalents. The following description of Burmese social life and rural organization is based primarily on Furnivall, An Introduction to the Political Economy of Burma, 2nd rev. ed., edited by J.R. Andrus (Rangoon: Burma Book Club, Ltd., 1938 [c1931]), hereafter referred to as Political Economy of Burma. See especially chapter 3, "Rural Economy under Burmese Rule," pp. 35-49. See also John F. Cady, A History of Modern Burma (Ithaca, New York: Cornell University Press,1958), pp. 13-14 and 34-38 (hereafter referred to as Burma); Maung Maung Gyi, Burmese Political Values: The Socio-Political Roots of Authoritarianism (New York: Praeger, 1983), pp. 18-19; Lucian Pye, Politics, Personality, and Nation Building: Burma's Search for Identity (New Haven, Conn. and London: Yale University Press, 1962), p. 73 (hereafter referred to as Politics, Personality, and Nation Building). Cady refers to ahmudan and athi as classes, while Furnivall refers to them as orders. Either term is appropriate, as long as it is kept in mind that the English terms refer to the ways in which the Burmese organized Burmese society.

[2]Michael Aung-Thwin, Pagan: The Origins of Modern Burma (Honolulu: University of Hawaii Press, 1985), p. 87.

[3]Cady, Burma, p. 27.

higher status. Branches of service included cavalry, musketeers, artillery, spearmen, and engineers; various branches could consist of many regiments. Non-military ahmudan included palace cooks, masons, carpenters, gardeners, barbers, and sweepers, among others. It was possible to pass from one asu to another on obtaining permission from the headman and paying a customary fee. A person's obligation of service, however, could not be ended simply by moving away from a village, but escape could be effective if the move were far enough.

The ahmudan were allotted land for residence and for cultivation, on which they paid a rent to their own headman or, possibly, to some other official.[4] Detachments from the various regiments had to perform their duties at the capital. They were supported by contributions from those at home, but they were relieved every few months and thus they all cultivated land for their subsistence.

Burmese Rural Organization

Under Burmese rule, and in the early days of British rule, the "normal and stable unit of administration" was the myo or taik, "consisting of a group ... of villages and hamlets."[5] Areas where the ahmudan were predominant were called asu, while areas where the athi predominated were called su-lut. Local chiefs of su-lut areas were called

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[4]See Cady, Burma, pp. 19-20, and Louis J. Walinsky, Economic Development in Burma: 1951-1960 (New York: The Twentieth Century Fund, 1962), p. 14 for more on the revenue system of pre-colonial Burma.

[5]Myo and taik are commonly termed "circle" in English. See Furnivall, Political Economy of Burma, p. 37.

myo-thugyi. K'aung, nominees of the myo-thugyi, were heads of subordinate villages. The title of a local chieftain of an asu area "varied with his class or regiment," but if his "charge were extensive he might also be known as a myo-thugyi."[6] However, he would have jurisdiction only over members of his own regiment or order.

British rule fundamentally changed the organization of rural life.[7] Rural areas were divided into village tracts, where the village headman had authority over all the residents of the village. When the British extended rule over Pegu in Lower Burma in 1852, they "found the revenue collected through, and the magisterial authority invested in, not the heads of each village, but the 'heads over the [non-Burman residents], over the fishermen, and over the brokers, over palm juice drawers and silver assayers, over the ploughmen of the royal lands and the cultivators of the royal gardens.'"[8] Later the British had difficulty making authorized village headmen understand that they had authority over all the residents of their villages--in the traditional Burmese system, it was only in criminal matters that the myo-thugyi had such general jurisdiction.

Villages were usually surrounded by a thick fence or hedge. There were gates with watchtowers that villagers manned in turn. There was generally a monastery, where village boys learned at least the fundamentals of the written language and their religion,

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[6]Furnivall, Political Economy of Burma, p. 40. See Cady, Burma, pp. 27-33 for additional information on the myo-thugyi.

[7]For a contemporary analysis, based on Furnivall's ideas, of the consequences of the introduction of colonial rule in Burma, see Robert H. Taylor, "The Rationalization of the State, 1825-1942," chapter 2 in The State in Burma (Honolulu: University of Hawaii Press, 1987), pp. 66-147.

[8]Furnivall, "Land as a Free Gift of Nature," p. 561, quoting from British Burma Gazetteer (1879).

and in the care of which the whole community shared the responsibilities for menial duties. Near the monastery were pagodas and rest houses for travellers as well as for village meetings. The village wells were typically "in a small open space set round with shade trees ... beneath which the village children played, their elders gossiped, and strolling players gave their entertainments." In addition, there was usually an open space around the village, "set apart as a public convenience and also used for threshing floors."[9]

These amenities were enjoyed in common by the whole village, yet none were vested with a concept of common property.[10] Prescriptive rights over plots on the threshing floor were recognized for people who used it year after year. Unoccupied land, both inside the village and in the fields, was available to anyone to build on or to cultivate. Once occupied, the village had the right to continue to use the land, a right recognized even if the village were abandoned. If the original occupant had no objection, unused land could be taken over by another villager, the rights of the original occupant passing to the new

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[9]Furnivall, Political Economy of Burma, p. 42.

[10]Land tenures were important, if only because of the importance of land revenue to the colonial governments, in British India as well as Burma. Thus much had already been written on the subject. Furnivall drew upon his experience as a settlement officer (the duties of the settlement officer will be discussed in chapter 5) and his study of the colonial governments of both Burma and British India to formulate his ideas on land tenure in Burma. In "Land as a Free Gift of Nature," he cites the Annual Revenue Administration Report, Rangoon District, 1865-6, and the Draft Letters of Deputy Commissioner, Rangoon, 1867. Also cited are the Report on the Settlement Operations in British Burma, 1865-6; the Settlement Report of the Katha District, 1907; and the British Burma Gazetteer of 1879. Furnivall demonstrates familiarity with issues of land tenure in British India through citation of Sir Henry Sumner Maine and B.H. Baden-Powell, respectively leading authorities on Indian village institutions and land tenure in British India. (The citations to Maine and Baden-Powell were given incorrectly in "Land as a Free Gift of Nature." See n. 16, p. 145.)

occupant. In Pegu, even after the introduction of British rule, it was said of fallow ground that anyone might cultivate "without being liable to objection by the previous cultivator, unless where the ground lying fallow impinges on the rest of his ground, in which case his permission is asked in a neighbourly manner." But it seems likely that these rules applied primarily to outsiders. In general, and especially in Lower Burma, unoccupied land was available for all, with tenure a "temporary appropriation of the land during the period of cultivation only."[11]

Although there was no idea of common property, there were rules regulating land use that were commonly observed (e.g., not cultivating on the catchment area of the cattle pond). There was a concept of joint property, found when land remained undivided for several generations in a single family. It was also possible for several families to have joint rights over groves of palm trees or over irrigated rice fields, where "various customs with regard to water-rights and the maintenance of water-ways were devised so as to equalize as far as possible the benefits and obligations of those sharing in the water."[12]

A common interest does not depend on common property. Burmese village life was characterized by co-operation and mutual assistance. The whole community had interests, as well as obligations, in maintaining wells and ponds, in keeping watch, in repairing fences, monasteries, pagodas, and watchtowers, and in providing space for threshing, for children to play, and for the entertainment of all. In short, they had an interest in creating a comfortable and pleasant life in the village--on their own terms and in their own ways.

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[11]Furnivall, "Land as a Free Gift of Nature," pp. 555, 559.

[12]Furnivall, Political Economy of Burma, p. 43.

Burmese villages, however, were never economic units, as were villages in India. Many goods used in daily life originated outside the village. Different villages in a neighborhood provided different goods. In one, blacksmiths might supply neighboring villages with implements for household and agricultural use. Another might supply pottery. Still another would house the neighborhood carpenters, while yet others would supply mats, carts, or cart-wheels. Commodities were transported by boat or cart, often over a considerable distance, even between Upper and Lower Burma. There were also periodic markets, often on a circuit of five days. There was an intricate network of commerce, and most exchange was by "barter." ("Barter" is Furnivall's term. Whether this means anything more than that goods moved without a generally accepted medium of exchange, I do not know.) Thus, under Burmese rule, the village was neither a political, administrative, nor an economic unit.

The political and social organization here described, at least in general outline, was true of both Upper and Lower Burma. But in the economic organization there were two significant differences between the two areas. First, because of the political upheaval that had already occurred when the British entered Tenasserim and Arakan in 1825 and Pegu in 1852, they found vast areas unoccupied.[13] Burmese records report that "over the

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[13]For a thorough analysis of conditions in Lower Burma, see Michael Adas, The Burma Delta: Economic Development and Social Change on an Asian Rice Frontier, 1852-1941 (Madison, Wisconsin and London: The University of Wisconsin Press, 1974), hereafter referred to as Burma Delta. In chapter 1 ("The Delta Rice Frontier under Konbaung and Early British Rule," pp. 15-38) Adas argues that the idea of political upheaval in Lower Burma has been overstated by Furnivall and other writers, but he agrees that Lower Burma was underpopulated and that British rule was followed by heavy migration into Lower Burma. Adas is generally favorable to Furnivall and uses his ideas extensively in his analysis.

greater part of Lower Burma there was no village life, but a few scattered families cultivated paddy in small clearings in the jungle." Entire myo had lapsed into "tall jungle and high grass, where the elephant dwelt and the tiger held dominion." Second, cultivation played a less important role in the economy of Lower Burma. In Upper Burma, it was "almost the sole occupation of the people," but in Lower Burma fishing and salt-boiling were as important, or even more important, than cultivation. Fishing rights were closely guarded. (Perhaps peculiarly, the later British administration sought simultaneously to encourage ownership in land and to discourage hereditary fishing rights.) Thus, before the arrival of the British, there was in Lower Burma "a poor and scattered population, largely non-agricultural but occupying a wide extent of potentially fertile land."[14]

Entourage and Circle

Lucien Hanks provides an interpretation of Burmese social and political organization.[15] In his interpretation, patron-client relationships in Burma gave rise to units of social organization that he calls the "entourage" and the "circle."[16] The "unique feature" of a society characterized by entourage and circle is the "community-like social units into which the people are divided." This organization may be "represented

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[14]Furnivall, Political Economy of Burma, pp. 48, 49.

[15]Lucien Hanks, "Entourage and Circle in Burma," The Bennington Review 2, no. 1 (Winter 1968): 32-36, 41-46.

[16]Hanks' use of the term "circle" should not be confused with the English rendering of the Burmese terms myo and taik.

architecturally in a compound--a ring of multipurpose dwellings and workshops facing inward toward a central court." The smallest stable unit would probably be a compound of three or four houses with perhaps thirty people. To Hanks, smaller units were not viable, being "restricted both at work and play." Compounds form a hierarchy according to the degree to which they provide the amenities of life. These units Hanks calls "entourages, to emphasize that the head or patron attracts his own followers or clients." Entourages join with complementary entourages to pursue a variety of activities. But the heads of entourages are not "free and equal bargainers" but, rather, "recognized unequals in capital, resources and people." The patron of the inferior entourage then becomes a "quasi-client" of the patron of the superior entourage. If the results of the arrangement are satisfactory to both sides, a stable relationship is formed, creating what Hanks calls the "circle, whose leader is the topmost patron."[17]

The circle may be stable, but two features prevent it from becoming "rigid." First, the patron-client relationships are "unique and personal." Thus "no entourage outlasts the life or fortune of its patron. New patrons, from the king to the local headman, whether their positions are inherited or not, must prove themselves as satisfactory as the previous patrons in order for the entourages, and therefore the circles, to continue as before. Second, the patron-client relationship may be ended unilaterally. Changing affiliations and "mobility upwards and downwards is a constant feature of the scene."[18]

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[17]Hanks, pp. 33, 34. [Emphasis in original.]

[18]Hanks, p. 34.

Society is not endangered by the breakdown of circles and entourages because they are so easily reorganized and replaced. If one patron is not effective, another is waiting to take his place, and clients are ready to change allegiances. Thus social stability comes "from ... the ready replacement of working parts." While complementary entourages form the circles that comprise society, it is nevertheless better to think of the "social whole [as] a collection of many identical units arranged in hierarchic pattern."[19]

The entourage and circle create an institutional pattern unlike that found in contemporary western societies. It is possible for western societies to be divided into "spheres" such as "economic", "political", or "religious" because separate institutions organize what we call economic, political, or religious activities. Where western governments have jurisdiction over all the inhabitants of their domain, the aspects of life governed are limited. Governments may interfere in some parts of life, but not in others. In Burma, society could not be divided into economic, political, or other spheres because the institutional arrangements of entourage and circle did not so organize social activities. There was no "government" or "economy" that fit a western model. The king was the "head patron of the foremost entourage highest in the highest circle." But the king, as patron, commanded clients, who in turn commanded their own clients. Although the king's jurisdiction over social life was broader than that accorded most western governments, his "command [was] heeded only by those whose advantage [was] served." Further, there was "no fixed third party with ready-made procedures ... available to settle disputes between circles in conflict." Where goods and services were supplied within the

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[19]Hanks, p. 34.

circle, no separate "economy" existed. Thus "familiar distinctions between government and industry, between private and public, [and] between lawful and unlawful disappear."[20]

A society organized by institutions of entourage and circle will exhibit a hierarchical order with mobility between ranks within an entourage or circle as well as mobility between entourages and circles. Further, entourages and circles will be bound together by the personal ties of patron and client to provide goods and services within a circle.

Thus, Burmese society was hierarchical. "The scope and focus of the traditional political process," Lucian Pye says, "meant that all actions tended to be governed by a fairly explicit hierarchical pattern of relationships in which the issue of superior and subordinate dominated every move."[21] But upward and downward mobility was a commonplace observation. Shway Yoe reports that a minister in the court of Mandalay had earlier in life been a slave.[22]

Changing affiliations were recorded in historical documents of pre-colonial Burma, while in recent Burmese history, General Ne Win brought an end to fourteen years of civil war in 1963 by offering new terms of amnesty to Communist rebels. His actions

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[20]Hanks, pp. 34, 35.

[21]Hanks, p. 35, quoting Lucian W. Pye.

[22]As reported by Hanks, p. 35.

demonstrated once again the sudden political realignments that bewilder observers unfamiliar with the organizing principles of entourage and circle.[23]

There are other characteristics of a society built on entourage and circle. First, power does not always accrue to those officially appointed. Manning Nash reports a case in a village: "The man of pon (ability to command people) ... is U Sein Ko, the village's richest man ... [who] is regarded by supra-village officials as lugyi, the big man.... When party officials ... come to talk to someone in the village, they come to see U Sein Ko, not the village headman, who does not have pon."[24] Second, reciprocity is essential to maintain patron-client relationships. Nash gives an example of several villagers paying taxes to the local Township Officer rather than to their thugyi. Patrons who perform unsatisfactorily will find themselves without power or authority.

Finally, one should note that friction between rival entourages and circles can result in a lack of cooperation and thus to untoward consequences. Charles S. Brant furnishes an apposite example.[25] In a village near Rangoon, Burmans and Indians lived side by side but belonged to different entourages and circles. Robbers had attacked the village and an Indian had been killed. The Burmans wanted to organize for the defense of the village and, since the Indians were richer, asked them to obtain licenses and guns. The Indians were then to turn over the guns to the Burmans, who would stand guard. This

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[23]See James C. Scott, "Patron-Client Politics and Political Change in Southeast Asia," American Political Science Review 66 (1972): 91-113, for more on the relationship between social organization and politics in Southeast Asia.

[24]Hanks, pp. 35-36, quoting Manning Nash.

[25]As reported in Hanks, p. 41.

the Indians refused to do. While their mistrust was not without justification, it left the village undefended.

These last examples show how a social order based on entourage and circle is organized for "carrying out the tasks of group living rather than contributing to a social whole.... Here is not a society differentiated into parts with specialized functions but autonomous groups dispersing and coalescing in the pursuit of their own interests."[26] This characteristic of the traditional Burmese social order will play an important part in the interpretation of economic development under colonial administration presented later on.

II. COLONIAL ADMINISTRATION

Burma had been a secluded kingdom until the beginning of the 19th century. In 1759 the Burmans had conquered Pegu, and in 1785 they conquered Arakan. Shortly after defeating Pegu they had overrun Thailand (then Siam), and later defeated an invasion from China. In 1813 Manipur was conquered, followed by the defeat of Assam in 1816 (both now parts of India). Thus they came into contact with the British: "[t]he two countries faced one another on the frontier of two different civilizations." The war of 1824-26 was preceded by "a succession of difficult incidents" and resulted in the Treaty

[26]Hanks, pp. 41, 42.

of Yandabo, by which the Burmese government ceded the maritime provinces of Arakan and Tenasserim, along with Manipur and Assam, to the British.[27]

Lord Dalhousie, then Governor-General of India, brought the rest of Lower Burma under British rule by the end of 1852. The British annexed the provinces of Pegu and Martaban, cutting off Upper Burma from the sea. Lower Burma became British Burma, while the Burmese kingdom ruled Upper Burma from Ava.[28] Finally, Upper Burma was annexed by the British in 1885, bringing all of Burma under British rule.[29]

Origin of Liberal Colonial Policy

British rule was extended to Arakan and Tenasserim at a time of change in British policy in India. Whereas earlier the East India Company had been content with trading privileges, "with the dissolution of the Mogul Empire, it began to trade in kingdoms, seeking a profit in tribute rather than in commerce."[30] This led to corruption and, eventually, to reform.

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[27]Furnivall, Colonial Policy and Practice, p. 23. For more on Burmese expansion in the 18th and early 19th centuries, as well as additional information on Anglo-Burmese relations over this period, see D.G.E. Hall, Burma (London: Hutchinson's University Library, 1950), chapters 8-12; Maung Htin Aung, A History of Burma (New York and London: Columbia University Press, 1967), chapters 8-9; and Frank N. Trager, Burma: From Kingdom to Republic (New York: Frederick A. Praeger, 1966), chapters 1-2, hereafter referred to as Burma.

[28]See Oliver B. Pollak, Empires in Collision: Anglo-Burmese Relations in the Mid-Nineteenth Century (Westport, Conn., and London: Greenwood Press, 1979) for more about the annexation of Lower Burma.

[29]For more information on the annexation of Upper Burma, see Hall, Burma, chapter 14; Trager, Burma, chapters 2-3; and Maung Htin Aung, A History of Burma, chapter 11.

[30]Furnivall, Colonial Policy and Practice, p. 27.

However, while "[t]he authority of the native princes was almost unlimited ... they would not and could not govern along western lines." This led to direct administration by the officials of the East India Company. Warren Hastings, Governor-General from 1772 to 1785, organized the collection of revenue. Officials of the Company became "civil servants exercising criminal jurisdiction" under Lord Cornwallis (Governor-General from 1786 to 1794). Administrative reforms in India included the dividing of territories into districts, each under the jurisdiction of a European officer who acted as both magistrate and collector of revenue and who drew a "fixed salary from funds derived mainly from land revenue."[31]

Direct rule was consistent with a liberal political philosophy, and led to laissez-faire colonial policies. Sir William Bentinck, Governor-General from 1829 to 1835, said to Jeremy Bentham on his departure for India: "I am going to India ... but it is you who will be Governor-General."[32] Liberal principles were even more strongly held by the end of the Second War in 1852. Thus the machinery of liberal colonial administration was established in the provinces of Lower Burma.

The instructions of the first civil officer appointed to Tenasserim express the attitude. Mr. A.D. Maingy,[33] who took charge in September 1825, was required to "govern according to local laws and customs, but at the same time to introduce a system in accordance with Liberal ideas." Maingy intended to provide a colonial administration

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[31]Furnivall, Colonial Policy and Practice, pp. 27, 28.

[32]Furnivall, Colonial Policy and Practice, p. 29.

[33]I have been unable to find Maingy's full name.

based on liberal principles and to encourage freedom of commerce while taking into consideration established Burmese laws and customs in the administration of justice and the collection of revenue. But the Burmese system of government was the result of a "long and gradual evolution." From a western perspective it was "illogical and complex." To Furnivall, the "Burmese system and Liberal principles [based on the concepts of limited government and individual economic freedom] were fundamentally opposed."[34]

Judicial Reform

Maingy's instructions directed him to re-establish the Burmese Court of Justice, which consisted of various officials who could hear cases sitting alone or with other officials, or through a deputy. All appeals went to the court's Governor, whose decisions--either his or his deputy's--were final.

The Burmese codes of law consisted of "a Pali version of the laws of Manu, and a collection of precedents and rules and regulations established by different kings of Ava." Burmese jurists sought guidance in these codes, while "Burmans went to court to find a man of wisdom and authority who could help them in arriving at an amicable settlement of their disputes."[35] From a British perspective, Burmese jurists were arbitrators, even mediators, rather than judges.

For these reasons, Mr. Maingy found the Burmese courts too complicated in "their structure and principles ... incapable of dispensing justice but ... merely institutions of

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[34]Furnivall, Colonial Policy and Practice, p. 30.

[35]Furnivall, Colonial Policy and Practice, p. 31.

official extortion and arbitrary decision-making not untainted by bribery."[36] To Maingy, "legal proceedings were meant to ascertain disputed facts and arrive at a logical decision on them according to fixed legal principles." Maingy therefore drew up a new code, which provided for new courts in which a Commissioner, or his Deputy or Assistant, were to preside as sole judge. He also provided that proceedings be attended by a person acquainted with the principles and practices of Burmese law. But to Furnivall "the whole idea of giving judgement in accordance with fixed legal principles was contrary to Burmese custom, and the decisions on this plan were as foreign as the court."[37] British rule of law was thus substituted for Burmese custom.[38]

Reform of Public Finance

Under Burmese rule, sources of government revenue included tolls on roads and rivers, duties on forest and mine products, bazaar or market tolls, export and import duties, and cultivator taxes. The cultivator tax was the most important. In principle it was an income tax, justified by religious law and custom; in practice it was a household tax, levied "roughly according to ability to pay ... [as] a locally apportioned application of the king's claim to the personal service of all his people."[39] The local headman

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[36]Taylor, The State in Burma, p. 103.

[37]Furnivall, Colonial Policy and Practice, p. 31.

[38]For more on the pre-colonial Burmese judicial system, and similar assessments of British judicial reforms, see Cady, Burma, pp. 144-48; G.E. Harvey, British Rule in Burma: 1824-1942 (New York: AMS Press, 1974 [c1946]), pp. 33-37; and Taylor, The State in Burma, pp. 102-6.

[39]Cady, Burma, p. 20.

"collected as much revenue as local custom and public opinion allowed and remitted this through the myothugyi or other appropriate official to the royal treasury."[40] Though this tax was not uniformly assessed, it usually amounted to one-tenth of agricultural output, and various writers report that from one-third to two-thirds of the revenue was retained by local officials.[41]

Under the Burmese system, government revenue was ordinarily collected in kind. This was adequate, even useful for the traditional Burmese economy, but was inconsistent with an increasingly monetized and commercial economy. From the beginning British administrators wanted to introduce the "collection of revenue in cash, the abolition of taxes which were unproductive or a burden on trade, and the payment of fixed salaries to officials in lieu of fees or commissions."[42] Although it was not at first successful in instituting thorough fiscal reforms, eventually the "government was more effective in taxing the land and people than the precolonial state had been."[43] But though "[a]ccuracy and justice and a great increase in the revenue were gained without placing oppressive burdens upon any portion of the community," according to a writer otherwise favorable in his assessment of colonial rule, "[o]n the other hand the destruction of the

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[40]F.S.V. Donnison, Public Administration in Burma (London and New York: Royal Institute of International Affairs, 1953), p. 14.

[41]See Donnison, Public Administration in Burma, p. 14, and Pollak, Empires in Collision, p. 117.

[42]Furnivall, Colonial Policy and Practice, p. 34.

[43]Robert H. Taylor, The State in Burma p. 90.

old-established, indigenous, social fabric based on well-known customary duties and payments in kind, was a loss that may be held to have out-balanced the gains."[44]

Reform of Central Administration

Under Burmese rule there were two grades of officials: superior officials belonging to the central administrative system and appointed by the crown, and subordinate local officials.[45] Superior officials, remaining loyal to the Burmese Court, fell back on the capital after annexation, and the Burmese central administration disappeared. It was thus from necessity, as well as the tenants of direct rule, that Burmese superior officials were replaced by British officials. Arakan was divided into five districts, while Tenasserim was divided into three districts, with British Deputy or Assistant Commissioners in each district acting as executive officers in charge of general administration, as magistrates, and as collectors of revenue. The Burmese central administration was replaced by a system of administration based on, and subordinate to, the British Government of India. Thus the "administrative system [of Burma] was worn into the routine grooves of the Indian mechanism" from the earliest days of British rule.[46]

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[44]Donnison, Public Administration in Burma, p. 50.

[45]For more on the organization of pre-colonial Burmese rule see Cady, "The Government of Old Burma," chapter 1 in Burma, pp. 3-38, and Taylor, The State in Burma, pp. 25-37.

[46]Furnivall, Colonial Policy and Practice, p. 36. A concise treatment of the British administration in the early years can be found in Donnison, "Burma and Bengal, 1824-62," chapter 4 in Public Administration in Burma, pp. 15-26.

The territories annexed by the British were administered by three Commissioners, each having a different constitutional relationship with the Government of India: Arakan was wholly subordinate to the Government of Bengal, Pegu was placed directly under the charge of the Governor-General, and Tenasserim was responsible to Bengal for matters of revenue and justice but to the Governor-General for general administration. In 1862 these Commissioners were made subordinate to a Chief Commissioner who, as head of a newly constituted province of British India, was directly responsible to the Governor-General.

British rule was extended to Upper Burma in 1886, but from 1870 to the end of the 19th century there was little change in the mechanisms of administration.[47] In 1872 a Judicial Commissioner was appointed to relieve the Chief Commissioner of judicial work, and in 1890 a Judicial Commissioner for Upper Burma was appointed. In 1888 a Financial Commissioner was appointed. "Otherwise," Furnivall comments, "the Commissioners, Deputy Commissioners, Subdivision Officers and Township Officers continued to discharge civil and criminal judicial functions and to be responsible for all aspects of revenue and general administration within their charges."[48]

The system was gradually reorganized after 1897, as the "growth of trade and the trend of opinion towards a more active administration demanded a more elaborate

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[47]Donnison, "The Chief Commissioners, 1862-97," chapter 5 in Public Administration in Burma, pp. 27-37, offers a good summary of administrative developments over this period.

[48]Furnivall, Colonial Policy and Practice, p. 71.

mechanism." A "doctrine of efficiency" began to replace the policy of laissez-faire.[49] Changing circumstances brought new responsibilities to British officials. Thus, at the end of the 19th century, the Government of Burma created special officers and new departments: separate officers were appointed for jails and hospitals, a Commissioner for assessment of land revenue and the keeping of land records, and an Excise Commissioner. In 1900 the Chief Court was enlarged, and in 1905-06 a Judicial Service established. The objective was to increase administrative efficiency.

Other innovations were "directed towards making the Government more efficient as an instrument of economic progress."[50] A Chief Conservator of Forests and a Director of Agriculture were appointed in 1905; separate Agricultural, Veterinary, and Fishery Departments were created in 1906; and in 1916 the growth of motor traffic led to an Advisory Board for Communications.

A "third series of reforms ... aimed to promote welfare."[51] The system of public education was expanded, leading to the creation of Rangoon University in 1920. A Co-operative Credit Department was established in 1904 and in 1908 a Sanitary Commissioner was appointed. A Public Health Department was established later.

In order to integrate the new departments and special officers with each other, the Government, and the district officers, an "elaborate and many-sided secretariat" replaced

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[49]Furnivall, Colonial Policy and Practice, p. 71. A concise treatment of administrative changes over the years 1897-1922 can be found in Donnison, "The Lieutenant-Governors, 1897-1922," chapter 6 in Public Administration in Burma, pp. 38-50.

[50]Furnivall, Colonial Policy and Practice, p. 72.

[51]Furnivall, Colonial Policy and Practice, p. 72.

the single secretary of the Chief Commissioner in 1886. But this secretariat was a "mechanical link"--"more rigid and less human"--that "dealt with cases according to rule and precedent." Thus the earlier "simple machinery" was replaced by "an imposing western super-structure...."[52]

Reform of Local Administration

Mr. Maingy decided to retain the services of local headmen, but drew territorial boundaries to their jurisdictions. They were ranked into three classes: those over several townships, those over one township with several villages, and those over one or more villages. In this system, local headmen had charge over all the people within their territorial jurisdiction. According to a later writer, the "conception of their [the local headmen's] responsibilities and obligations was fundamentally altered from a patron-client relationship to a territorial and impersonal one."[53] To Furnivall, the new "system, so far as it was put in force, changed the whole character of local administration." But "so far as it was put in force" is an important qualifier here. Because of the size of the administrative districts and difficulty of communication, the local headmen "had to be left practically unsupervised." The "European branch of the administration was becoming more centralized and mechanical," while the "local or Burmese branch was reverting to

[52]Furnivall, Colonial Policy and Practice, p. 73.

[53]Taylor, The State in Burma, p. 80.

type, and the people were still managing their own affairs much as under their own rulers."[54]

In 1883, Charles Crosthwaite, an Indian official acting as temporary Chief Commissioner, noticed village communities without recognized heads. He thought the system defective and, on his return to India, drew up a plan to reform the Burmese system.

Shortly after the annexation of Upper Burma, Crosthwaite became Chief Commissioner. He introduced and passed his Village Act as an instrument of martial law during the period of pacification (1886-1890) that followed the "rebellions which broke out after the disposition of King Thibaw."[55] Crosthwaite's plan for village administration was consistent with Indian ideas, but in Burma it "cut at the roots of organic social life within the village" by "convert[ing] the village from a social and residential unit into an administrative unit"--this in a culture that had institutionalized a division between the social and residential and the administrative.[56]

The colonial administration was mostly concerned with revenues and administrative efficiency. A system of amalgamation reduced the number of headmen by more than 2,000 between 1909 and 1919. This was unpopular with the people. "With the substitution of the Village System for the Circle System, local administration, like the central administration, became more mechanical and, by undermining common social life,

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[54]Furnivall, Colonial Policy and Practice, pp. 37, 38.

[55]Taylor, The State in Burma, p. 81.

[56]Furnivall, Colonial Policy and Practice, p. 74.

it allowed, and indeed encouraged, individual villagers to encroach on customary common rights."[57] In the words of a contemporary writer, the "anomie of the indigenous sector of Burma's twentieth-century plural society had its roots in these territorial administrative policies."[58]

Municipal Self-Government

People came more and more in contact with and affected by the colonial administration. In 1874 municipal institutions were created in some towns to "provide more efficiently for public requirements under conditions for the modern world."[59] By 1923 there were about 50 municipal committees dealing with roads, lighting, water, public health, and schools.[60]

Under British rule, Burmese towns were for many years administered by local officers, but new problems emerged with the growth of commerce and population. Sanitation provides a case in point. In Rangoon people used the surrounding scrub areas to dispose of waste. This was satisfactory until the scrub was cleared for fuel. Administrators contemplated creating public latrines, but they were thought to be too costly, so people were forbidden to clear the jungle around the town. At the time this was thought to be sufficient. But in Moulmein, "after fifty years of British rule 'attempts

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[57]Furnivall, Colonial Policy and Practice, p. 75.

[58]Taylor, The State in Burma, p. 82.

[59]Furnivall, Colonial Policy and Practice, p. 73.

[60]See also Cady, Burma, pp. 270-74 for a discussion of municipal government.

to introduce efficient conservancy and other measures for the health of the town had only recently been made.'" In Akyab, "ten years later, there was still 'no system of removing the night soil.'" In all of Pegu, only in Rangoon and Bassein "had there been any attempt at scavenging and water supply."[61]

"[T]hese matters were neglected and, apparently, unrecognized" until municipal institutions were introduced by the Government of India in 1874. Municipal committees were formed that "includ[ed] members nominated to represent the people." Interest in local administration was stimulated. Arrangements were made in 1882 for an increase in the number of municipalities and the introduction of the principle of election. At first the "prospect of managing their own affairs seems to have been generally welcome in the towns where this privilege was conceded, and 'for the most part the townspeople, especially the Burmese, took a healthy interest in elections.'"[62]

Even so, after 50 years municipal government in Burma was considered a failure. Indeed, after 80 years of British rule, the elected committee of Moulmein, the headquarters of Tenasserim, was suspended for incompetence. By 1927 "the number of committees classed as unsatisfactory or worse had risen from 43 to 95%." So unsuccessful was the elective system that, in 1915, only 13 of 46 municipal committees actually included elected members. Further, "elections 'evoked no interest' and 'such

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[61]Furnivall, Colonial Policy and Practice, pp. 144. First quotation from Annual Report of the Administration of Burma, Rangoon, 1877-8. Second quotation from Annual Report of the Administration of Burma, Rangoon, 1884-5.

[62]Furnivall, Colonial Policy and Practice, p. 145, quoting from Annual Report of the Administration of Burma, Rangoon, 1884-5.

work as was accomplished was almost wholly due to the efforts of the official [ex officio] Presidents, Vice-Presidents, and Members.'" Furnivall quotes the official view of the failure of local self-government: "the principal of self-government is an exotic plant, and the character and temperament of the people are not favourable to its speedy growth."[63]

Furnivall, however, argues that local self-government, which includes both municipal and rural self-government, failed because "it did not help the people to get what they might want." Local affairs had been neglected, and municipal institutions and the principle of election had been introduced to repair this neglect. But, as Furnivall points out, the "committees were expected to do and pay for things they did not want." Moreover, the committees "represented sectional communities which had little in common except a dislike of taxation."[64]

Two additional factors were at work in the failure: (1) the official members of the municipal committees were frequently transferred, so that they "rarely stayed long enough in any one place to undertake and carry through reforms;" and (2) "economic forces were active all the time in all aspects of social life."[65] Where these conditions prevailed,

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[63]Furnivall, Colonial Policy and Practice, p. 145, quoting from Report and Proceedings of the Indian Statutory Commission, 1930.

[64]Furnivall, Colonial Policy and Practice, pp. 145, 146. See Cady, Burma, p. 271, for a similar assessment of municipal self-government. Donnison, however, disagrees with Furnivall on this issue. To Donnison, the problem was not that municipal committee's could spend money only on what they did not want, and not on what they did want. The problem, rather, "was that what they did want to spend money on was scarcely a function of local self-government." Unfortunately, he gives no examples. See Donnison, Public Administration in Burma, p. 57.

[65]Furnivall, Colonial Policy and Practice, p. 146.

similar results were obtained. Both illustrate the absence of a common social will in the colonial situation.

Municipal self-government was, even with elected officials, fundamentally flawed because of the differences between what the people wanted and what the government wanted. These differences resulted in resistance to municipal self-government that could manifest itself in a simple reluctance to pay municipal taxes, or in more complicated forms, as is illustrated in Furnivall's example of Yandoon. "Yandoon was the chief purely Burmese market town in British Burma, and organic social life survived." Without municipal institutions, the people of Yandoon organized a regular system of waste disposal while government officials were neglecting sanitation elsewhere. Thus "the people of Yandoon were managing their own affairs in their own way better than local affairs in other towns were being managed by officials." The people of Yandoon did not want a municipal committee, nor did the colonial government force the issue: "local opinion was so strong that even a nominated committee might have outvoted the official President." Ironically, the people of Yandoon did not want municipal institutions "lest these should put an end to self-government." They feared they would be forced to do and pay for what the government wanted rather than allowed to do and pay for what they themselves wanted. The people of Yandoon did not want the municipal committee, not because they did not want self-government, but because they feared the municipal committee would bring an end to the self-government that they already enjoyed. Equally ironic, the colonial government "acquiesced for fear that such institutions, even with a

nominated committee, might allow too much self-government."[66] The colonial administration wanted to establish self-government in Burma, but did not establish a municipal committee in Yandoon because they feared that the municipal committee would actually govern itself, that--even with nominated members--the committee would outvote the resident magistrate. Such situations were hardly conducive to good-will and understanding.

To facilitate self-government the Government Advocate drew up a set of by-laws for municipalities. These by-laws were poorly translated into Burmese at a time when few Burmans could read the English version. Again, the by-laws "provided mainly for things that the people did not want, and often in a manner least likely to commend them."[67] But even after more Burmans were able to understand English, they found it difficult to understand self-government in western terms.

The problem of self-government is exacerbated in a plural society by the absence of a common social will and the freeing of economic forces. Consider the coolie population of Rangoon, where municipal institutions were most successful. The coolie population had long been recognized as a public health problem. By 1881, population density in parts of Rangoon was twice that of Liverpool (the most densely populated city in the United Kingdom). The Census Report of 1891 noted the high death rate among coolies, stating that they lived "in the veriest hovels in the suburban swamps, with the most

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[66]Furnivall, Colonial Policy and Practice, pp. 146, 147. [Emphasis added to "purely Burman" in the first quotation and to "too much" in last quotation.]

[67]Furnivall, Colonial Policy and Practice, p. 147.

disgusting filth piled up in heaps or fermenting in pools at their very doors."[68] But the Royal Commission on Labour reported that the problem was even worse as late as 1931. Coolies lived in unhealthy conditions, crowded in unventilated rooms without arrangements for sanitation. Conditions were crowded even where they slept in the streets. But cheap labor took precedence over social welfare. In 1931 it was thought undesirable to increase the cost of labor because of competition from rice producing countries. Private interests thus prevailed over recognized public needs.

Municipal institutions were established at a time when the urban population consisted of quite separate communities of Burmans, Indians, Chinese, and Europeans, each of which had "conflicting interests, different ideas of welfare, and few wants in common." In this plural society "[s]elf-government was impossible because there was no self to govern itself."[69]

Rural Self-Government

Rural District Councils were created in 1884 at the request of the Government of India. But executive rule by the administration was soon considered more efficient, and in the rural areas welfare was the responsibility of the district officer. District officers had various local funds at their disposal, but the money was not spent on what the people wanted. Rather, as in the municipalities, it was spent on what the government wanted the people to want: "An official was no better able as Deputy Commissioner than as

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[68]Furnivall, Colonial Policy and Practice, p. 149.

[69]Furnivall, Colonial Policy and Practice, p. 149.

president of a local municipal committee, to give effect to western ideas of welfare, or to hinder the unceasing activity of anti-social forces."[70] Rural areas thus suffered from the same maladministration as the municipalities.

When circumstances allowed, however, villages were able to manage their affairs honestly, efficiently, and with no help from district officers. Furnivall reports that in Toungoo District, under both Burmese and British rule, towns and villages along the rivers "had their monasteries and schools, rest houses, open spaces, wells, tanks, paths, bridges and so on; there was a community with a life of its own governing itself in its own way." But, with the opening of the railway in 1885, trade shifted from the river to the new railway towns that were, in comparison, far richer. Public amenities, however, were worse in these towns, which had a mixed population of Burmans, Chinese, and Indians, and were subject to official administration. The point is that "[o]fficials try to provide western amenities that Government approves, and often fail; the people try to provide the amenities that they appreciate, and often with success." Furnivall cites another case: a village that wanted to provide electric light for a pagoda. Not only did the villagers light the pagoda, they provided electric light for private houses in the village as well. This is economic development--organized human effort combining economic progress and social welfare. "Where there is an organic community capable of common wants, it will try to meet those wants. That is self-government, and it is no exotic plant

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[70]Furnivall, Colonial Policy and Practice, p. 153.

in Burma. But to try and make people do of their own accord what they do not want to do," Furnivall concludes, "is neither self-government nor common sense."[71]

National Self-Government

National self-government in Burma met with many of the same problems as local and rural self-government, problems associated with some of the essential characteristics of plural societies. The Europeans, Indians, Chinese, and Burmese who formed the population of Burma had few interests in common. The European section of the population had an interest in maintaining law and order and promoting commerce and industry. Europeans were content to "leave everything else to the play of economic forces." Their interests were thus "necessarily anti-social, because [they were] not related to the welfare of society as a whole but merely to the economic interests of a single section."[72]

In the plural society that existed at that time in Burma, the Indian and Chinese populations were as limited in their interests as the Europeans. Thus, in 1917, "when Parliament accepted the principle that in India government should be made responsible to the people, there was in Burma no homogeneous people to which it could be made responsible." With the Indian and Chinese interests in loose alliance with European interests (which "may be summed up as capitalist" interests) national politics evolved to

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[71]Furnivall, Colonial Policy and Practice, pp. 154, 155.

[72]Furnivall, Colonial Policy and Practice, pp. 157, 158.

the point where "the main issue in political affairs was the conflict between Capitalism and Nationalism."[73]

III. ECONOMIC PROGRESS

Progress 1826-1870

What Furnivall has to say about economic progress in Burma during the period of Laissez-Faire (1826-1870) is important for understanding his interpretation of the impact of colonial government. It was in this period that the administrative machinery of the colonial system was introduced, and one can already discern the pattern of development that dominated the colonial era in Burma.

Mr. Maingy promoted free internal and external trade. The response by the Burmese was more than expected--"they exported not only their surplus but also their seed grain and their food."[74] Maingy therefore decided to deviate from the principles of laissez-faire by "impos[ing] a temporary embargo on the export of grain."[75] This, according to Robert Taylor, was the "colonial state's first act of intervention in the free flow of commerce for the benefit of the stability of the society and the state."[76]

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[73]Furnivall, Colonial Policy and Practice, p. 157.

[74]On this and other occasions, Furnivall explicitly recognizes the responsiveness of indigenous peoples to economic incentives. On this point he differs somewhat with J.H. Boeke and his theory of dual economy. Boeke's ideas will be examined in chapter 6.

[75]Furnivall, Colonial Policy and Practice, p. 43.

[76]Taylor, The State in Burma, p. 108.

It was thought that in Tenasserim the progress was impeded by the low density of population. Administrators hoped that Burman immigrants would come from Pegu and Siam, but immigration proved insignificant. The government then tried to encourage Malay and Chinese immigration from Malaysia. The only significant response however, was from India.[77] Almost all of the Indians (who were soldiers, money lenders, shopkeepers, washermen, tailors, and barbers) settled in Moulmein. By 1852 they made up one-third of its estimated population of 40,000.[78] Meanwhile, however, indigenous population growth was stimulated by the conditions of British rule.

An attempt was also made to attract British merchants. There was little response, even with "[g]rants of land ... offered on easy terms." Many of those who did respond failed. The timber trade, however, was attractive, and teak became the chief product of Tenasserim--and by 1852 the forests were "ruined."[79]

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[77]Michael Adas, Burma Delta, pp. 84-85 reports that in 1901 the Chinese community in Lower Burma numbered about 34,400 (.8 percent), while the Indian community numbered 297,000 (7 percent), over 86 percent of whom had been born outside Burma. Chapter 4 of Burma Delta ("Indian Immigration to Lower Burma in the First Phase of Development," pp. 83-102) examines Indian immigration over the last half of the nineteenth century.

[78]Furnivall, Colonial Policy and Practice, p. 44. Adas, Burma Delta, p. 99, reports that Indians made up 26.5 percent of the population of Rangoon in 1872, and 51 percent in 1901. In the 1870's, 70 percent of the Indians in Lower Burma resided in Rangoon, while only 42 percent resided there in 1901. In spite of the decline in share of population, there was a large absolute increase. According to Adas, "Rangoon had become and would remain for most of the period of British rule an Indian city."

[79]Furnivall, Colonial Policy and Practice, p. 45. See also J. Russell Andrus, "Forestry," chapter 7 in Burmese Economic Life (Stanford, Cal.: Stanford University Press, 1956 [c1948]), pp. 96-114, for information on the state of forestry at independence.

The timber trade stimulated other economic activity: sawmills were set up. "Between 1830 and the second war [1852] more than a hundred ships, with a gross burden of over 30,000 tons, were built in Moulmein." Although Burmans found employment in the timber industry, it was found that "Indian convict labour, hired from the Government, was cheaper and more docile than free Burmese labour."[80] In fact, the use of convict labor had become so prevalent that, by 1839, the Government received more revenue from the hire of convicts than from taxes on the timber trade.

The immigration from India had profound consequences. The importation of Indian convicts, and the later importation of Indian coolies, raised a "formidable barrier against the economic education of the Burman." It was cheaper and less trouble to import Indians than to train Burmans. Subordinates in the medical and engineering departments of the Government were Indian. And, because of their knowledge and experience with western ways of business, Indian moneylenders and traders became middlemen between British and Burman. "Thus from the very earliest days of British rule there evolved a mixed community with racial differentiation of functions."[81]

Burmans were pushed from the towns because of the competition from Indian immigrants. But they were also pulled to the rural areas--primarily to cultivate rice for the new markets created by British rule. In this the Indian immigrant, "accustomed to a different soil and climate,"[82] was no competition for the Burman.

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[80]Furnivall, Colonial Policy and Practice, pp. 45, 46.

[81]Furnivall, Colonial Policy and Practice, p. 46.

[82]Furnivall, Colonial Policy and Practice, p. 46.

At the same time there was a great need to build roads in Tenasserim. For this purpose the Government at first used forced labor, but then began to use convicts from India. Ambitious plans for road-building were contemplated after the acquisition of Pegu in 1852: new roads to connect Rangoon with Prome and Pegu, Prome to be linked with India by way of Chittagong and Calcutta, Pegu to be connected to Malaya through Moulmein, and Mergui. "But road-making needs money and labour, and neither was available." Law and order was the first order of business, and the "roads were neglected and most of them abandoned."[83] By 1860, the British had begun five roads. None had been completed.

Waterways provided the primary means of commerce and transportation. But steamer traffic rarely ventured beyond the frontier of British Burma. In the early 1860's the colonial government sold its steamers and plant to a private company to encourage private enterprise. But by 1867, "only four British steamers had ever taken merchandise to Mandalay and none went farther." Traffic to the maritime province was even less developed. "Apart from irregular visits by a Government steamer they long depended on small sailing craft that could not face the monsoons."[84] Furnivall reports that the situation remained unchanged until the late 1860's.

The essence of Government policy was to encourage economic development through private enterprise and "to keep down expenses and to raise no more revenue than was necessary for the maintenance of law and order." Furnivall thought this was, in part, the

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[83]Furnivall, Colonial Policy and Practice, p. 48.

[84]Furnivall, Colonial Policy and Practice, p. 48.

result of the subordination of the colonial administration to the Indian government: "nothing beyond the maintenance of law and order could be attempted without sanction from the Government of India."[85]

Progress 1870-1923

Trade was stimulated with the opening of the Suez Canal in 1869. Transportation received renewed attention.[86] But interest in road-building soon waned. Waterways still provided adequate transportation for normal traffic. "Until the advent of the motor-car the country could manage without roads."[87]

It was in this time, however, that a network of railroads was built. 333 miles of railways were built between 1877 and 1886. By 1907, "for the first time in history, one could travel across Lower Burma from east to west by land without having to force a way by footpaths and ford innumerable creeks."[88] 1,599 miles of railways were in operation by 1914.[89]

Transportation by water also progressed during this period. Trade with Upper Burma increased rapidly after the treaty of 1867. By 1869, the Irrawaddy Flotilla Company, reorganized in 1868 after having taken over the government steamers in 1863, was

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[85]Furnivall, Colonial Policy and Practice, p. 49.

[86]See also Taylor, The State in Burma, pp. 109-10 for more on developments in transportation in this period.

[87]Furnivall, Colonial Policy and Practice, p. 77.

[88]Furnivall, Colonial Policy and Practice, p. 78.

[89]Taylor, The State in Burma, p. 110.

offering, with the help of government subsidy, weekly service to Mandalay and monthly service to the Chinese frontier at Bhamo. By 1900 this company "had secured a practical monopoly of steam transport over all the inland waters of Burma."[90]

Furnivall cites the growth of trade to measure economic progress in Burma over the years 1870 to 1923. Imports, in real terms, were 10 times greater in 1926-27 than in 1870. Exports were almost 7 times higher. Burma had indeed made substantial economic progress as measured by the growth in trade. Yet more than figures for imports and exports are needed to indicate the relevance of this measure of economic progress for the welfare of indigenous peoples.

For imports, Furnivall distinguishes between "consumption goods, mainly for the native market, and capital goods, mainly for production by western enterprise." The import of capital goods rose from 20 percent of all imports in 1872-73 to 30 percent in 1926-27. While the import of capital goods was rising, there was a "parallel and contemporaneous change in the character of the imports for consumption." In 1870, food imports were a fifth of total imports, some 16 percent were luxuries and 5 percent were necessities. Food imports rose to a third of total imports by the end of the century, with a seventh of total imports accounted for by necessities. By 1926-27, food necessities comprised 11 percent of food imports. Thus a "larger proportion of the imports went to provide the necessities of life."[91]

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[90]Furnivall, Colonial Policy and Practice, p. 78.

[91]Furnivall, Colonial Policy and Practice, pp. 81, 82.

Furnivall divides the exports of Burma into two main classifications: rural produce and capitalist produce. Rural produce was primarily rice. Capitalist produce consisted of the output of western enterprise, primarily from forests, oilfields, mines and plantations. At first, rural produce accounted for an increasing portion of exports, rising from less than 75 percent in 1870 to 85 percent in 1900. After that date, while continuing to rise in value and volume, rural produce began to be outpaced by capitalist produce. Capitalist produce made up one-fifth of exports in 1870 and one-third of exports in 1923. Further, while these exports were confined to timber in 1870, by 1923 the chief item was oil, and minerals were nearly as important as timber. Economic progress was thus accompanied by an "increasing part played by foreign capital in the production of wealth in Burma."[92]

IV. SOCIAL WELFARE

Welfare 1826-1870

The traditional system of Burma did not encourage the expansion of output or the accumulation of wealth. Cultivators could not freely dispose of their produce. They were also liable to obligatory service. They did not have freedom of movement or marriage, and there were restrictions placed on items of personal expenditure such as clothing and housing.

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[92]Furnivall, Colonial Policy and Practice, p. 81.

With British rule, money as a medium of exchange became increasingly important. Money was used to pay taxes and, more importantly, to buy imported goods that were previously unavailable.[93] Also, making money was easier during the first years of British rule because of the rapid rise of prices. Cultivators were therefore making more money, had a wider variety of goods to buy, and had fewer restrictions on their personal expenditures. Burmans were quick to take advantage of their new economic freedom. For these reasons, "there is good reason to believe that the cultivators, as individuals, were vastly better off from a material standpoint under British than under Burmese rule."[94] The rice cultivators were not the only ones to benefit. Those engaged in salt-boiling, fishing, pottery, and boating were also better off. In fact, until "the opening of the Suez Canal, and for some years later, everyone enjoyed under British rule freedom and a degree of material prosperity formerly unimagined."[95]

The Burmese paid more taxes under British rule. But heavier taxes do not necessarily mean a heavier burden. With population growth, expanded cultivation, new markets, and higher prices, the people were able to pay more. And if British rule did not put an end to oppression and extortion, it made them illegal, and life and property were more secure.

Individual welfare improved, but conditions were created that would adversely affect social welfare. Most important was an increase in the foreign population that was

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[93]This is also a major point in Hla Myint's analysis of the colonial experience. See Hla Myint, "Peasant Exports and the Growth of the Money Economy," chapter 3 in The Economics of the Developing Countries, Fifth edition (London: Hutchinson & Co., 1980 [c1964]), pp. 32-43.

[94]Furnivall, Colonial Policy and Practice, p. 51.

[95]Furnivall, Colonial Policy and Practice, p. 52.

concentrated in municipal areas: "from the earliest days of British rule the towns became largely Indian."[96] From 1861 to 1872, the Indian population nearly doubled. Further, the town police were mostly Indian, as well as most of the skilled, semi-skilled, and unskilled labor.

Burmese still worked as labor on the wharves, but after "the exhaustion of the forests of Tenasserim and the substitution of steam for sail, the ship-building industry declined, and with it the employment of Burmese as carpenters." Burmese carpenters had been employed with success in the building of the barracks at Rangoon, as well as other government buildings. They had done excellent work building pagodas, monasteries, and wooden houses. They had built many school houses and churches for the American Baptist Mission. "The change was noted with regret.... But regrets were ineffectual to hinder the economic forces ousting them from employment on Government work."[97]

The government policy to keep down expenses led to the exclusion of Burmans from the government's medical services. It was "easier and less expensive to employ Indians than to train Burmans."[98] But it could hardly be expected that Burmans would use a medical service in which the European doctors did not speak Burmese and the Indian subordinates spoke neither Burmese nor English.

Such conditions in the medical department, and similar conditions in the engineering departments, did not further the educational needs of the Burmese for participation in a

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[96]Furnivall, Colonial Policy and Practice, p. 53.

[97]Furnivall, Colonial Policy and Practice, pp. 53, 54.

[98]Furnivall, Colonial Policy and Practice, p. 54.

wider world. Even the need for English-speaking clerks was so limited that instruction given in monastic schools was adequate. It was possible for Burmans to find employment without attending western schools. Under these circumstances, until about 1870, there was little progress made in education. "Education in Burma was left almost entirely to private agency; western education to the missionaries, and Burmese education to the monks."[99]

Thus, if the Burmese were better off as individuals after the introduction of British rule, their social and economic lives became more narrow. This narrowness of social and economic life, along with the replacing and weakening of traditional Burmese institutions (which may all be considered aspects of social disintegration), played an important part in the frustrated attempts to improve social welfare in later years.[100]

Welfare 1870-1923

During this period British rule was extended to Upper Burma in 1885 and the Village Act was introduced in 1886. Thus many of the processes of social disintegration already discussed were extended to Upper Burma. Moreover, as has also been mentioned, the disintegration of Burmese society was intensified by the implementation of the Village Act. That social welfare was impaired by the processes creating the conditions of plural

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[99]Furnivall, Colonial Policy and Practice, p. 55.

[100]For a concise and complementary account of social and economic developments during this period, see Cady, Burma, pp. 94-99.

economy has been adequately demonstrated; it is therefore not necessary to add to the argument.

V. CONCLUDING REMARKS

The purpose of this chapter has been to provide examples of the historical events and the social and economic conditions that existed in Burma that, in Furnivall's interpretation, were characteristic of plural economy. The brief examination of pre-colonial Burma gives some idea of the social and economic change that resulted from the imposition of colonial rule. Then, examination of the colonial administration itself showed how it encompassed all the elements of plural economy. Policies implemented by the colonial administration led to the liberation of economic forces. Further, policies of the colonial administration led directly (and indirectly, through the liberation of economic forces) to the disintegration of the indigenous society. Furthermore, colonial administrators were members of a foreign culture, but they were required to formulate the general interest of the peoples in their charge. Thus the colonial administration often functioned in ways that were at odds with the indigenous culture. Colonial administrations pursued policies that were thought to be in the general interest, but the problem of disconnection between economic progress and social welfare was exacerbated by the varying perceptions of social welfare in the plural society. Finally, the actions of the colonial administration too often tended to favor economic progress over social welfare. Taken together, the issues examined in this chapter provide a basis for understanding the processes that led to a plural economy in Burma.

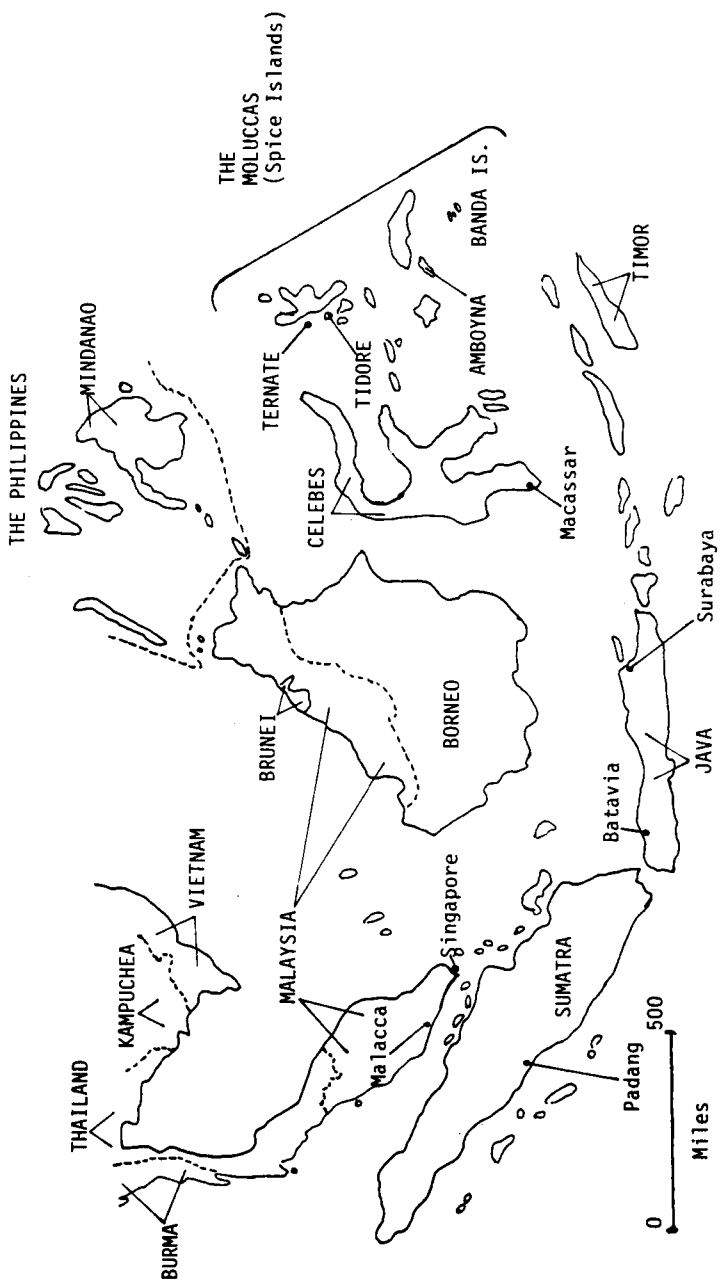


Figure 3. Netherlands India

Adapted from John F. Cady, Southeast Asia: Its Historical Development (New York: McGraw Hill Book Company, 1964), p. 357; J.S. Furnivall, Netherlands India: A Study of Plural Economy (Cambridge: Cambridge University Press, 1939), p. 16; and Nena Vreeland, et al., Area Handbook for Indonesia (Washington, D.C.: U.S. Government Printing Office, 1975), p. xiv.

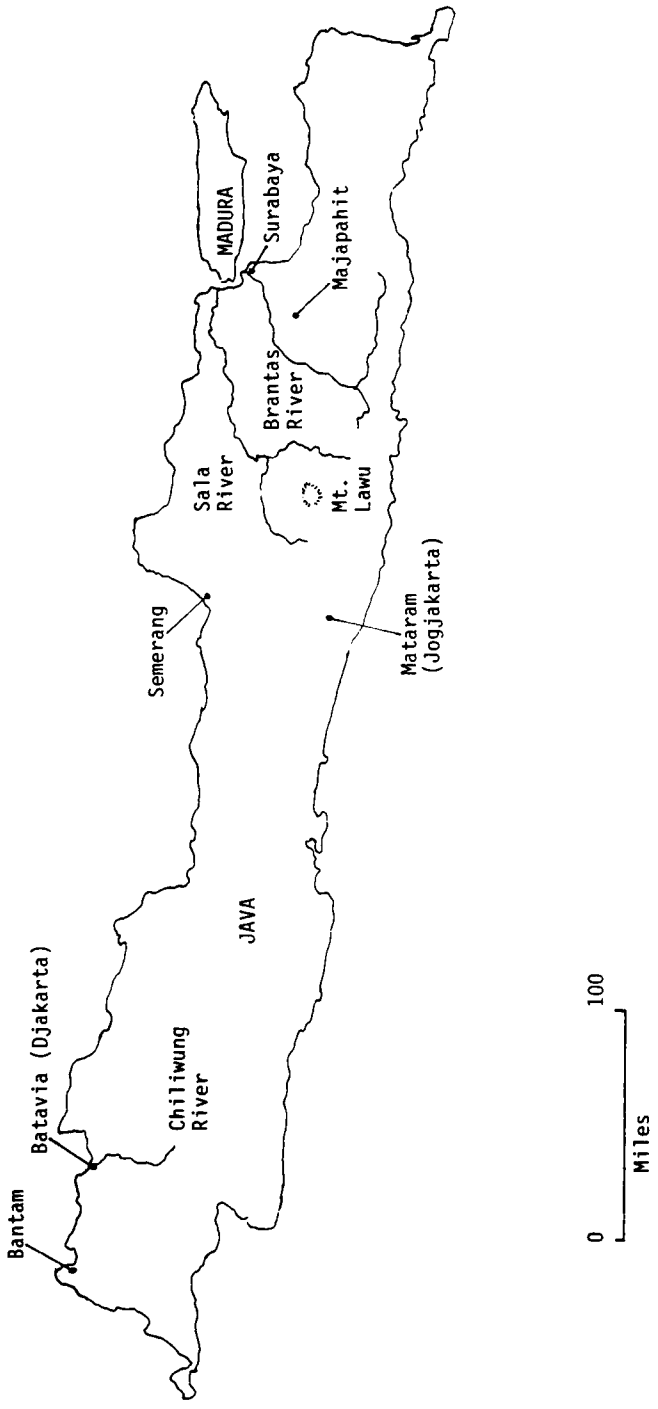


Figure 4. Java

Adapted from M.C. Ricklefs, A History of Modern Indonesia: c. 1300 to the Present (Bloomington, Ind.: Indiana University Press, 1981), pp. 312-13.

CHAPTER V

PLURAL ECONOMY IN NETHERLANDS INDIA

I. PRE-COLONIAL NETHERLANDS INDIA

The Kingdom of Majapahit arose at the end of the thirteenth century in central Java. By about 1400 Majapahit included much the same area as modern Indonesia. It was the first time that such territorial unity had been achieved in the East Indies. In Netherlands India Furnivall focusses on Majapahit in his examination of pre-colonial Indonesia. Furnivall suggests that the characteristics of the society of Majapahit illustrate the character or nature of pre-colonial Indonesian society. Bernard H.M. Vlekke offers support for this view: the "social structure of the state of Majapahit and of that of Mataram [a powerful sultanate in Java at the time of the arrival of the Dutch in the East Indies], as far as we can judge, was essentially the same and a description of Mataram has therefore some meaning also for our knowledge of the older states."[1] By the same reasoning, one may conclude that a description of Majapahit has some meaning for Mataram. Clive Day also offers indirect support. In discussing the fall of Majapahit and the rise of Islam in the fifteenth century, he says that as Islam "progress[ed] through Java it broke up the old states into new ones, but there is no evidence that it changed the

[1]Bernard H.M Vlekke, Nusantara: A History of Indonesia, Revised edition (Chicago: Quadrangle Books, Inc., 1960 [c1943]), p. 151, hereafter referred to as Nusantara. [Emphasis added.]

character of the political organization, or added anything essential to it."[2] An examination of Majapahit may thus serve as an examination of pre-colonial Indonesian economy and society.[3]

Majapahit had a "complex and elaborate centralized administrative organization ... closely bound up with the religious organization."[4] This central government was "more or less" organized in various departments to administer justice, religious affairs, and economic matters such as the collection of agricultural revenues and the administration of commercial policies. The authority of the king was maintained through "personal ties." He ruled through princes, "each with his chain of lesser nobles down to the local headman."[5]

Villages were not territorial units, nor were they organized into larger territorial units in a hierarchy similar to the feudal system of medieval Europe. There was, in fact, an "intricate confusion" of territorial jurisdictions.[6] These conditions persisted to later eras. It was said of Mataram that jurisdictions "intersected 'like squares on a chess board.'"[7]

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[2]Clive Day, The Dutch in Java, Reprint of first edition (Kuala Kumpur: Oxford University Press, 1966 [c1904]), pp. 9-10, hereafter referred to as Dutch in Java. [Emphasis added.]

[3]For a different approach to describing traditional Indonesian society, but one that is consistent with Furnivall's examination, see George Rosen, Peasant Society in a Changing Economy (Urbana, Il: University of Illinois Press, 1975).

[4]Furnivall, Netherlands India, p. 10. See also Vlekke, Nusantara, pp. 76-77.

[5]Furnivall, Netherlands India, pp. 10, 11.

[6]Furnivall, Netherlands India, p. 11.

[7]Furnivall, Netherlands India, p. 11, quoting W.B. Bergsma.

Even more recently, jurisdictions in Native States "were found to be distributed between numerous overlords 'so that all continuity and connection between them had disappeared.'"[8] Thus "villages seldom formed a regular whole" but were, rather, "residential areas showing no trace of legal or economic unity."[9]

In Furnivall's interpretation, based on his experiences in Burma, the "criss-cross intersection of personal and territorial arrangements" indicated that, at an early stage of development, there was sufficient land to provide for cultivation in "small, far-scattered, and impermanent" settlements. Settlements guarded against encroachment from outsiders, and were probably supported in this endeavor by customary law. But with an abundance of land without boundaries, new settlements could appear without encroaching on previously settled villages. Such conditions existed long after the formation of the Hindu kingdoms (before the era of Majapahit), whose rulers were "more concerned to increase the number of their dependents and followers than to draw rent from land." Further, "rights over land cleared by a dependent vested in his overlord and not in any territorial community." Thus the land came with the people, not the people with the land. Only at a much later time, after the arrival of the Dutch, did the absence of war lead to a growing population and a much denser settlement of land, creating "enclaves" of settlers owing allegiance to different local headmen.[10]

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[8]Furnivall, Netherlands India, p. 12, quoting Soepomo. "Native States" was a term used by Dutch colonial officials to refer to areas left under indigenous rule.

[9]Furnivall, Netherlands India, p. 12. First quotation from W.B. Bergsma. Second quotation from L. Adam.

[10]Furnivall, Netherlands India, pp. 12, 13.

The village in Java was not a "rounded-off fenced-in complex," nor did the local headman have jurisdiction over what, to western eyes, appeared as a village. Furthermore, in Java, a client looked to his patron for protection and also for access to the "means of livelihood," including access to land. Here as well there were inconsistencies with western ideas and practices. In Furnivall's interpretation, in the feudal system of western Europe, "a man was liable to service because he held land." In contrast, "in Java a man held land because he was liable to service."[11]

II. COLONIAL ADMINISTRATION

The Dutch East India Company

In the earlier years, in both Java and the outer islands, the object of the Dutch East India Company was to secure trading privileges. Rule was extended reluctantly.[12] Indeed, it was not until the middle of the eighteenth century that the Company assumed sovereignty, in order to secure produce from Java as indigenous states began to disintegrate.[13] Direct rule was extended over the area around Batavia.[14] Indirect rule

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[11]Furnivall, Netherlands India, pp. 13, 14.

[12]A concise treatment of the development of the administrative system of the Dutch East India Company can be found in A.D.A. de Kat Angelino, Colonial Policy, Vol. II (Chicago: The University of Chicago Press, 1931), pp. 1-23.

[13]See Vlekke, "Downfall of the Indonesian States," chapter 8 in Nusantara, pp. 164-184.

[14]See J.J. Klaveren, The Dutch Colonial System in the East Indies (Rotterdam: Drudderij Benedictus, 1953), pp. 43-46, on the founding of Batavia. Hereafter referred to as Dutch Colonial System.

had its origins as other areas were given over to Regents, indigenous officials who became clients of the Company.[15] Native States were virtually independent.

The Regency, at this time, was the most important unit of administration. Regents administered under the supervision of local representatives of the Company. The Company could appoint the subordinate officers of the Regent, one of whose chief executive officers was usually a Dutch nominee. In general, however, there was little interference in the affairs of indigenous peoples. Aside from economic matters, in particular the delivery of produce, Regents were ordinarily allowed to rule in their own way.

The Dutch were extremely reluctant to accept sovereign responsibilities in the East. A Dutch scholar provides a vivid image of Dutch "rule": "During 150 years, for three-quarters of the Company's rule, the Government of Batavia stood at the head, not of a territory, but of a series of widely scattered establishments, factories and forts, from Japan through Cochin China and the Archipelago to Continental India and the Cape; and although from the time of Van Imhoff (1743-50) the mercantile system was nominally replaced by a territorial system, the Company still appeared to the native over most of the East as the Director of scattered stations, or as the Overlord of native princes."[16] It is significant that, below the Governor-General, all European servants of the Company held title to positions in a commercial organization (e.g., Upper Merchants, Merchants, Junior

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[15]For more on the relationship between the Regent and the Dutch East India Company, see also Angelino, Colonial Policy, Vol. II, pp. 14-21.

[16]Furnivall, Netherlands India, p. 35, quoting C. van Vollenhoven.

Merchants, Bookkeepers or Assistants). Their business was trade--actually tribute--not government.[17]

Even so, nine governments outside Batavia were included at various dates: Ternate, Amboyna, Banda, Malacca, Macassar, Coromandel (on the southwestern coast of India), Ceylon (now Sri Lanka), the Cape of Good Hope, and--only after 1688--the North-East Coast of Java, enlarged in 1743 and 1746 to become the largest and most important. The Governor-General and a varying number of Councillors of India comprised the "High Government." "Residents" were originally the representatives of the Company in the Native States, but the term subsequently came to refer to the representative of the Company in a Regency, who became the "most important member of the territorial administration."[18]

A dual system of administration existed from the earliest days of Dutch rule. With few exceptions the functions of the officers of the Company with respect to indigenous peoples was confined to securing tropical produce. Regents and other indigenous officials administered "native" justice for indigenous peoples. Outside Batavia, judicial matters involving Europeans (both criminal and civil) were administered by the local chief officer assisted by a bench made up of servants of the Company.[19] In Batavia, servants of the

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[17]Angelino, Colonial Policy, Vol. II, p. 2, states that in the "days of the Company there could scarcely be a question of a real administration or judicial organization." On the question of tribute, Klaveren points out (Dutch Colonial System, p. 53) that the Company imposed few new tributes, most of which were taken over from indigenous rulers.

[18]Day, Dutch in Java, p. 112.

[19]See Angelino, Colonial Policy, Vol. II, pp. 10-12.

Company were brought before a Court of Justice. Sometimes referred to as the Supreme Court, its bench of judges could revise the rulings of inferior courts. Jurisdiction over other residents of Batavia, European and Asian, was vested in a Court of Alderman. Dutch law, modified by local statutes, was administered in these courts.

In general, the Dutch followed the practice of rule by "like over like," but, in economic relations, especially in "the cultivation of produce for the export market, there was a gradual but growing encroachment by the Company." In 1681, "the police sergeant in charge of a certain outpost was charged to see to the cultivation of produce which was due to the Company." Later, two other post-commandants were charged with similar duties. Their civil functions came to overshadow their military and police functions, and they came to be known colloquially as "coffee-sergeants." Beginning in 1704, ex-soldiers were sent out with similar duties: to see that the instructions of the Company were being followed with respect to the cultivation of produce. It was this function, and the link the officers formed between the European and Native Civil Services, that made the coffee-sergeant the "germ from which one of the distinctive and characteristic features of Dutch rule in the tropics has developed."[20]

The Dutch East India Company lasted for nearly two hundred years, finally meeting its end on January 1, 1800, through the corruption of its officials, the weakness of the States-General, and the French Revolution. The end of the eighteenth century and the beginning of the nineteenth century was witness to an increasing debate on colonial policy, with liberal ideas becoming increasingly important. But there was no significant

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[20]Furnivall, Netherlands India, pp. 36, 37.

reform in colonial administration until the arrival of Herman Willem Daendels in January, 1808.

Daendels

Herman Willem Daendels, appointed Governor-General by Louis Napoleon (the first, and last, King of Holland), arrived with instructions to remedy the ills that had arisen under the Company and to improve the condition of the common man and to protect him from abuse. His appointment was gained through service to the French, not through colonial experience, and thus he was not "bound by any traditions of the Company's system."[21] Acting on his own authority, Daendels set out to reform the whole administration.

Daendels divided the country into nine Prefectures, each headed by a Prefect, with a tenth allotted to the College of Forests. The mercantile employees became civil servants; Regents also became civil servants, subordinate to the Prefect, but allowed to carry out the orders of the Prefect in their own way.[22] At this time the Regents received no salary, but "derived their emoluments from the land and people." In judicial administration Daendels' "chief innovation [was the] Landgericht or native court for each Prefecture, with a Bench of Regents and the Prefect as their Chairman."[23]

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[21]Day, Dutch in Java, p. 148.

[22]See Angelino, Colonial Policy, Vol. II, p. 25.

[23]Furnivall, Netherlands India, p. 65. See also Day, Dutch in Java, pp. 153-54.

Daendels had the misfortune of attempting reforms in an economic and political environment that was not conducive to success. Daendels was removed from office, succeeded for a short time by another Dutch Governor-General, who arrived in Java on April 27, 1811.[24] But it was the arrival of the British under Thomas Stamford Raffles in August of that year that marked the next important stage in the evolution of colonial administration in Netherlands India.

Raffles

The British arrived to annul the annexation of Java by France and place it under their own protection. Raffles was named Lieutenant-Governor of Java and its Dependencies under, but "only nominally dependent on," the Governor-General of British India.[25] Raffles was only thirty years of age, and had only six years of experience in the East, but his administration deeply affected the evolution of Dutch colonial policy and practice.

Under British rule the economic and political environment of Java was fundamentally changed.[26] The Dutch, having nothing to sell in the East, had aimed to stimulate production for the benefit of The Netherlands. But by the early nineteenth century, the British could undersell local cotton goods in the East. The British, therefore, aimed to stimulate demand as well. "An increase in the welfare and the consuming power of the

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[24]A concise history of this period can be found in Vlekke, "Herman Willem Daendels, a Batavian Napoleon," chapter 11 in Nusantara, pp. 230-254.

[25]Day, Dutch in Java, pp. 167-68.

[26]See Day, "The Period of British Rule," chapter 5 in Dutch in Java, pp. 164-202, for a concise summary of the changes introduced by Raffles.

natives was prejudicial to the Dutch but profitable to the English." Further, under Daendels, Java had been cut off from trade by the British fleet, and Daendels was "compelled by military pressure to make excessive demands for forced and unpaid labour." Raffles was under no such pressure, enjoying the ability to "cut his coat according to his cloth," spending no more than "his revenue allowed or bare necessity required."[27]

It is perhaps important to point out that Raffles was an outsider, "free from the drag of tradition," and had experience in a different system of tropical administration. Also, Raffles built upon the reforms instituted by Daendels.[28] As Raffles himself admitted, "a much more regular, active, pure and efficient administration was established by Marshal Daendels than ever existed before."[29] Still, Raffles stands out as a great reformer. As one Dutch scholar commented, it was with Raffles that it is possible to "perceive the emergence of the system of organization which has lasted until our own day."[30] It is instructive to examine the principles that guided his actions.

Raffles adhered to the liberal principles of Adam Smith and English political economy. Monopoly, he thought, was "not less ruinous to those who impose it than to those who are subjected to it."[31] Raffles had the vision to see that English interests

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[27]Furnivall, Netherlands India, p. 68.

[28]See Angelino, Colonial Policy, Vol. II, p. 27.

[29]Furnivall, Netherlands India, pp. 68, 69.

[30]Angelino, Colonial Policy, Vol. II, p. 28.

[31]Furnivall, Netherlands India, p. 69, quoting Raffles.

would be furthered by an improvement in the welfare of indigenous peoples. Therefore Raffles sought to "encourage trade, and thereby to improve the welfare of the people."[32] Raffles' objective was to protect individual industry, establish private property, and end compulsory labor.

It was Raffles who turned the village into a unit of administration.[33] Raffles had come to the conclusion that "all the land was the property of the State," and that the village headman was an elected official who was charged with the general administration of the village, including police duties, the settling the minor disputes, and the collecting of revenues. The "elected" village headman was of great importance to Raffles: it was "an instrument for building up a strong administrative system without depending on the regents, whom he distrusted as not only rapacious and oppressive but pro-Dutch."[34] Raffles based his system of administration on two British Indian ideas: (1) the village as a unit of administration; and (2) a tax on land--a "rent" taken out of the gross produce of the land by the state acting as "universal landlord"--as the most important source of government revenue.[35]

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[32]Furnivall, Netherlands India, p. 69.

[33]See Angelino, Colonial Policy, Vol. II, pp, 28-29.

[34]Furnivall, Netherlands India, p. 70. The Regents were severely diminished in authority by the reforms of Raffles, particularly by their exclusion from the collection of the land revenue. According to Angelino, Raffles' policy with respect to the Regents "hasten[ed] the de-feudalization process." He thus "followed in the tracks of Daendels and chose for Java mechanical organisation rather than development of a living autochthonous system." See Angelino, Colonial Policy, Vol. II, p. 33.

[35]Raffles' system of land-tax is thoroughly discussed in Day, Dutch in Java, pp. 174-192.

The system of land revenue introduced by Raffles differed fundamentally from the Dutch system. Dutch administration had aimed at obtaining "as much produce as possible." Thus they were willing to take taxes and tribute in kind. Raffles "aimed at encouraging trade and the use of money."[36] Tax payments in money went to the village headman, who turned it over to the Divisional Officer. Payments in kind were discouraged.

In some ways Raffles simplified the administration; in other ways he made it much more elaborate. Raffles took the Prefectures of Daendels, renamed them Residencies (headed by Residents), and expanded their number to sixteen, taking over land from the Sultanate of Jogjakarta and land that had been leased to Chinese. Under Daendels, Regents had become civil servants. Under Raffles the Regencies became "Districts," and "the formerly autonomous regents became mere district officers." Raffles further divided the districts into "police tracts" or Divisions, wanting to "bring the Government into direct contact with the people."[37]

In judicial administration Raffles abolished the Supreme Court and the Court of Aldermen. For the three large ports he established a Court of Justice, a Court of Request for minor cases, and a Police Court. These courts disposed of both criminal and civil cases, for both Europeans and Asians. Thus Raffles moved away from the dual judicial system of the Dutch. Dutch law was administered in civil cases, but in criminal cases

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[36]Furnivall, Netherlands India, p. 72.

[37]Furnivall, Netherlands India, p. 71. See also Angelino, Colonial Policy, Vol. II, p. 28.

British procedure was adopted. Judicial reform for indigenous peoples in the interior resulted in trial for capital offenses by a Court of Circuit of a single judge from the local Court of Justice and a jury; trial by the Resident alone for other serious offenses (although District Officers, formerly Regents, and others might serve as advisors). Petty offenders were brought before the District Officer, the Divisional Officer, or the village headman.

Raffles believed that he was freeing the people from oppression, that his system was fair, and that the people would enjoy the fruits of their efforts. "But on a system which aimed at absorbing the whole economic rent and leaving the cultivator of the best land in no better position than the cultivator of the poorest land, it is perhaps doubtful whether the common man experienced much benefit."[38] Further, the need to pay taxes in money put the cultivators in the hands of the money-lender. These results were, however, unanticipated.[39]

Raffles expected significant increases in government revenues to result from his reforms, and land revenue more than doubled between 1814 and 1815. But other elements of government revenue declined, and although total government revenues were larger, the government continued to run a deficit.[40]

There were fundamental changes in administration when the Dutch returned to their possessions in the East Indies in 1816 because Dutch interests were fundamentally

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[38]Furnivall, Netherlands India, p. 73.

[39]The use of money does not necessarily lead to the increasing debt of cultivators. It does, however, often lead to that result.

[40]Day, Dutch in Java, p. 191.

different from British interests, but the lasting legacy of Raffles was putting "the welfare of the native as the right aim of government in a tropical dependency."[41] In this Raffles achieved a permanent change in Dutch colonial policy.

Return of Dutch Rule

Control of the colonies passed to William I, the new sovereign of The Netherlands, in 1814. Rather than appointing a new Governor-General, William appointed three High Commissioners to reintroduce Dutch rule to Java. They took charge on August 19, 1816.

The new Commissioners faced a difficult situation: there was much to be done and little money with which to do it.[42] The East Indies had provided benefits to The Netherlands for several generations, but at the end of two hundred years the Company stood bankrupt. The state then took over, but neither Daendels nor Raffles found a way to make revenues cover expenditure. To find a way was the job of the Commissioners, and they had to accomplish this task under a new, liberal colonial policy.[43]

The Commissioners received a report, written by a Dutch associate of Raffles, H.W. Muntinghe, who advocated free peasant cultivation (but without the freedom to dispose of their land) and a new Chartered Company (without the privileges of monopoly). The Commissioners accepted the report, deciding to "base their economic system on free peasant cultivation, supplemented by capitalist enterprise as far as might be safe, and by

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[41]Furnivall, Netherlands India, p. 77.

[42]See Angelino, Colonial Policy, Vol. II, p. 34.

[43]See Vlekke, Nusantara, p. 274ff., and Day Dutch in Java, p. 203.

state management so far as might be necessary."[44] They also decided to retain the system of land-rent introduced by Raffles.[45] The Commissioners published their own Constitutional Regulation in December 1818, instead of that which William had provided them. On January 16, 1818, one of the Commissioners, G.A. Baron van der Capellen, became the new Governor-General.

The new High Government consisted of the Governor-General and four Councillors, along with a General Secretariat under a Chief Secretary. The territorial divisions of Raffles--the Residencies, Districts, Divisions, and Villages--became Residencies, Regencies, Districts, and Villages. Three new Residencies brought the number to nineteen. More importantly, European and indigenous officials above the rank of village headman were paid fixed salaries, ending the system of providing allotments of land. Further, lower revenue officers were to oversee state cultivation, and thus the "coffee-sergeant" was again incorporated into the administration.[46]

A dual system of judicial administration was reinstituted, with "different law and separate courts for Europeans and natives." Raffles' Courts of Justice were retained for cases involving Europeans, with the Court of Batavia raised to a High Court--later split into a High Court and a (lower) Court of Justice. Additional Courts of Justice were established in Amboyna, Macassar, Malacca, and, in 1825, at Padang. Courts of Circuit and Residency Courts were retained for indigenous peoples. In Batavia, all people came

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[44]Furnivall, Netherlands India, p. 87.

[45]See Day, Dutch in Java, p. 206ff.

[46]See Angelino, Colonial Policy, Vol. II, pp. 40-41.

before the Court of Justice until 1825, when a separate Residency Court was established for indigenous peoples. At the level of the Regency and District, the system was modelled on Raffles' system. Police administration was plural, with separate officials for Europeans and indigenous peoples, while "Chinese and other foreign orientals were left under headmen of their own race." The Commissioners also laid the foundation for separate departments dealing with public works, education, and public health, by appointing an Inspector of Public Works, an Inspector of Schools, and by "taking over on fixed salaries the vaccinators whom Raffles had remunerated by allotments of land."[47]

Some points should be made on the differences between the systems of the Commissioners and of Raffles. First, a dual system was adopted by the Commissioners as a matter of principle, whereas for Raffles any duality was a matter of convenience. Second, there was a fundamental difference between the systems in the relationships among officials. In the British system the assistant of an official was his subordinate. Chains of command and jurisdictions were clear; duties might become routine. British officials were officers of government: magistrates and collectors of revenue. (In British India the functions were usually assigned to the same official.) The Dutch, however, regarded the assistant, whether European or Asian, "as an agent or representative." The relations between European and Asian officers is instructive. The Regent, though "under the orders of the Resident," was to be treated as a "younger brother," a term that often expresses the relation between patron and client in Asian societies. Further, Assistant

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[47]Furnivall, Netherlands India, pp. 88, 89. Furnivall does not indicate what kind of vaccination was available in Netherlands India in Raffles' time, though a vaccination for small-pox was available elsewhere.

Residents "had no authority over the Regent except as being the representative of the Resident."[48]

There was, understandably, uncertainty in the arrangement. The job of Dutch officials was to see that the policy objectives of the administration were met. Thus the Resident was "directed to promote agriculture, to look after civil buildings, roads and bridges, [and] to supervise the administration of charities." Regents were "directed to superintend cultivation, to see to the gathering and packing of produce, irrigation, the improvement of cattle, the promotion of hygiene, the foundation of schools, and, in fact, every aspect of native welfare from the encouragement of vaccination to the suppression of witchcraft." The result was that the Regents had become "welfare" officers, as they were to remain for the duration of Dutch rule.[49] The two systems differed fundamentally. Raffles and the Commissioners held liberal ideas, but Dutch interests were not British interests, and thus Dutch liberalism was not British liberalism.

The administrative system introduced by the Commissioners required more expenditures than did that of Raffles, creating considerable difficulty for Van der Capellen. By 1824, the accumulated debt of the Government was about equal to the annual revenue, and there was a sizeable annual deficit. William lost confidence in Van der Capellen, and L.P.J. Viscount Du Bus de Gisignies arrived in Java at the beginning

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[48]Furnivall, Netherlands India, p. 90.

[49]Furnivall, Netherlands India, p. 92. See also Angelino, Colonial Policy, Vol. II, pp. 37-39, for the duties of these officials.

of 1826 as Commissioner with authority to take measures to bring the situation under control.[50]

Du Bus tried to solve the problems of public finance by decreasing expenditures and increasing production. Regents thus returned to receiving allotments of land in place of fixed salaries. The financial authority of the Governor-General was curtailed. The Government was directed to submit five-year estimates of expenses and was forbidden to transfer funds between accounts. The departments of finance and audit were strengthened. These reforms worked to increase the power of the Home Government and limit the power of the Colonial Government.

As a liberal, Du Bus, like William, had envisioned a greater role for capitalist enterprise. To increase production, he abolished restrictions on Europeans residing in the interior, on the leasing of land to Europeans by indigenous people, and on the granting of waste lands to Europeans. Du Bus also established an Agricultural Committee and tried to introduce new crops to Java. But Du Bus did not neglect the peasant cultivator, believing that an increase in production would both improve the general welfare of the people and act as a stimulus for Dutch exports.[51]

Public finances in The Netherlands experienced similar difficulties. Between 1815 and 1830 the national debt rose by fifty percent and the annual interest charges nearly

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[50]See also Vlekke, Nusantara, p. 284.

[51]Day differs with Furnivall on the contributions of Du Bus. He says simply, "[b]oth what he did and what he proposed to do vanished without effect under the culture system [introduced by Van den Bosch]." Further, the "reform projects of Du Bus were ... never carried to fulfillment." See Day, Dutch in Java, pp. 236-37, 243.

doubled. It was important that Java at least meet its own expenses. But the problems continued, bringing the next important stage of colonial development: the Culture System of Johannes Van den Bosch.

Van den Bosch

Van den Bosch arrived in Java as Governor-General in January, 1830. True to the times, Van den Bosch was an avowed liberal.[52] But Van den Bosch "knew more than most Liberals about Java and the Javanese."[53] He believed "in a Liberal policy adapted to their character and institutions."[54] To Van den Bosch, it was crucial that The Netherlands become again a leading market for tropical produce. The objective was not new, but his methods were.

His economic policies resulted in the Culture System and the Consignment System.[55] The Culture System aimed at increasing production by allowing cultivators to pay their taxes in produce rather than money, while the Consignment System shipped the produce to The Netherlands under the Dutch flag, to be sold by Dutch merchants for substantial profits.

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[52]See Vlekke, Nusantara, p. 288, on Van den Bosch's liberalism.

[53]Furnivall, Netherlands India, p. 109.

[54]Furnivall, Netherlands India, p 109, quoting J. Van den Bosch.

[55]Clifford Geertz points out that "cultuurstelsel" has been mistranslated as "Culture System." More properly, it should be rendered "Cultivation System," but this dissertation will adhere to the more general usage. See Clifford Geertz, Agricultural Involution, pp. 52-82, for a concise account of the Culture System. A highly critical examination of the Culture System can be found in Day, Dutch in Java, chapters 7, 8, and 9.

Van den Bosch reformed the administrative system, but though "the framework of administration looked much the same in 1850 as in 1830 ... it was constructed on a different principle." This is partly reflected in the change in economic policy and partly in the differences between British and Dutch traditions. (The contrast here is between the colonial system introduced by Raffles and that introduced by Van den Bosch.) British administration was based on the rule of law. Van den Bosch, in contrast, "rebuilt the Indian polity on authority."[56]

Van den Bosch's own authority had been strengthened.[57] He was given power to overrule the Council of India. More importantly, the Constitutional Regulation of 1836 gave explicit recognition to the principle that the indigenous population should be governed through their own headmen.[58] This was consistent with Dutch traditions, but directly at odds with the British principles introduced by Raffles.

Van den Bosch and his successor, J.C. Baud, emphasized executive authority in judicial matters. Liberal jurists who wanted to "replac[e] authority with law and elaborate judicial formalities" were opposed.[59] Baud justified his view as follows: "the strength of Dutch rule ... and above all the possibility of obtaining abundant revenues from the island through the new Culture System, rest wholly on the extensive powers of the

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[56]Furnivall, Netherlands India, p. 122.

[57]According to Angelino, during this period the "Governor-General was invested with a fullness of power which was scarcely less than that of an absolute ruler." See Angelino, Colonial Policy, Vol. II, p. 47.

[58]See Day, Dutch in Java, pp. 304-308, on the increase in power of village headmen during this period.

[59]Furnivall, Netherlands India, p. 124.

Resident, and it is essential that he shall retain power to impose administrative penalties."[60] The conflict between the liberal jurists and Van den Bosch and Baud resulted in western law for Europeans and executive authority over indigenous peoples, and thus the dual element of the Dutch system was given further emphasis. In practice judicial reform meant a new Procedure Code, a Civil Code, and a Commercial Code for Europeans (in 1848), while indigenous peoples were placed under a new Code of Police and Criminal Procedure. This regulation increased the power of the Regent, making all indigenous officers subordinate to him, instead of, as in 1819, subordinate to the Resident. Van den Bosch further strengthened the authority of Regents by again recognizing their hereditary claims and by again allowing them to hold land. In addition, the principle of noninterference in village affairs was upheld. These measures were intended by Van den Bosch to restore the status, prestige, and therefore the influence of the Regents.[61]

This period also saw the beginning of one of the most important institutions of Dutch colonial administration: the Vershijndagen, later called the Vergaderingen. A vershijndag (or vergadering) was a conference held by local officers to discuss topics of current interest to the administration. By the 1930s, conferences were held once a week by the head of the Sub-district with the village headmen in his area. Similar meetings were held once a month by the District Officer, the Regent, and the Resident. At each conference the officer met with his subordinates, and with departmental officers if matters relating to their service were to be discussed. From the beginning Controleurs, officials whose

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[60]Furnivall, Netherlands India, p. 124, quoting J.C. Baud.

[61]See Vlekke, Nusantara, p. 290, and Day, Dutch in Java, pp. 297-99.

role in the colonial administration had evolved from the that of the coffee-sergeant, attended the conferences of the Regents and their subordinates.[62]

The Controleur became a key figure in the administration. To Furnivall, the "Controleur and the system of Vergaderingen, taken together, formed a powerful instrument of government."[63] It was forming this "powerful instrument of government" out of the elements of Dutch rule that was the great achievement of Van den Bosch. These elements--(1) the dual system of administration with rule of like over like; (2) the frequent holding of vergaderingen; and (3) and the powerful role of Controleur--were combined to form a unique system of colonial administration that maintained its characteristic features over the course of its tenure.

Liberalism

While Van den Bosch had based his system on authority, the Regulation of 1854 "stands out as a landmark in the constitutional development of Netherlands India by its clear recognition of the supremacy of law."[64] Colonial administration came to be based on a new principle. Putting principle into practice was, however, a slow process.

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[62]A detailed account of the role of the Controleur in the Dutch colonial system is provided in Angelino, Colonial Policy, Vol. II, pp. 80-93. See also Day, Dutch in Java, pp. 419-20, and Vlekke, Nusantara, pp. 290-91.

[63]Furnivall, Netherlands India, p. 125.

[64]Furnivall, Netherlands India, p. 158. The Regulation to which Furnivall refers is the Regeringsreglement (Constitutional Regulation) of 1854. See also Day, Dutch in Java, pp. 327-329.

The Regulation of 1854 sought to curb some of the arbitrary judicial powers of officials when acting as administrators. It provided that "no one shall be prosecuted or convicted otherwise than in such cases and by such procedure as shall be laid down by general rules."[65] The effect was to replace, to some extent, the authority of the Residents with the rule of law. A Penal Code for Europeans was provided in 1866, while in 1872 a separate Penal Code and Criminal Code for indigenous peoples upheld the dual nature of the judicial system.[66]

In 1867 the Resident was directed to "supervise and relieve the burden of compulsory labour; to pay special attention to the planting of food crops; to encourage the foundation of schools for natives ... to induce his subordinates to study native languages and undertake scientific enquiries; and to instil among native officers a desire to advance in civilization." Regents were directed to "exercise a close supervision over cultivation ... to scrutinize agreements between native cultivators and European planters ... to prevent encroachment on village autonomy, to supervise native schools, to maintain a register of native priests ... and to discourage begging and see to the making of provisions for the aged." These instructions make clear that administrative officials retained many discretionary powers and "still exercised authority with little regard to legal formalities."[67]

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[65]Furnivall, Netherlands India, p. 187, quoting Art. 88 of the Regulation of 1854.

[66]See M.B. Hart, Legal Pluralism: An Introduction to Colonial and Neo-Colonial Laws (Oxford: Clarendon Press, 1975), p. 255. Hereafter referred to as Legal Pluralism.

[67]Furnivall, Netherlands India, p. 190.

In Netherlands India, as in other places, the rise of liberalism did not reduce the functions of government. In fact, the Regulation of 1854 enlarged governmental functions. Separate departments were created in 1855 for Finance; Means and Estates; Produce and Warehouses; Government Cultivation; and Civil Public Works. Reorganization came in 1866 with new departments for Internal Administration; for Education, Religion, and Industry; for Civil Public Works; and for Finance. A Department of Justice was added in 1870.[68]

There was also further territorial reorganization. The Residency was divided into Divisions that corresponded with the Regencies. Divisions were headed by Assistant Residents, who were usually aided by Controleurs.[69] The Regency, divided into Districts, was further subdivided into Sub-districts with their own officers. These reforms, along with the ranking of District Officers and Sub-district Officers into administrative grades, formed the basis of the Native Civil Service.

It is important to note the changing character of the Regent. Van den Bosch had emphasized the authority of the Regent, reinstating his hereditary position. But the status of the Regent waned with the rise of the Patih. The Patih had long been a special assistant to the Regent. In 1874, a Patih was appointed to each Regent, and also to Divisions without Regents. In 1900, the Patih became the Regent's official deputy. But "in many regencies it was he who did nearly all the regent's work and to him the duties

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[68]See Hart, Legal Pluralism, p. 255, and Angelino, Colonial Policy, Vol. II, pp. 51-53, for the growth of the colonial bureaucracy.

[69]See Angelino, Colonial Policy, Vol. II, pp. 39-40.

of the regent were in great part relegated." Thus, with the rise of the Patih and the Native Civil Service, the Regent began to lose his place of central importance in the indigenous administration.[70] Further, the Regent was deprived of his culture percentages, as well as his command over land and labor.[71]

Important changes were also taking place in the role played by European officials. As the European population grew with the expansion of western enterprise, European officials became increasingly occupied with European concerns and less with the concerns of indigenous peoples. "[T]he Resident came to represent Government to the European much as the Regents represented Government to the natives, and the dual character of society and administration became more pronounced."[72]

The Controleur continued to function as a link between the European and Native Services. Every officer of the European Service spent the first twelve years or more of his service in this office, providing "the pivot on which the Dutch administrative system turned." Though no official instructions were published for the Controleur, a "demi-official Manual," published in 1878, directed the Controleur to act under the orders of the Assistant Resident, to provide the Assistant Resident with information "that was likely to

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[70]See Angelino, Colonial Policy, Vol. II, pp. 93-97, for more on the changing role of the Regent in this and later periods.

[71]The culture percentages were commissions paid to both European and indigenous officials under the Culture System for the delivery of agricultural produce. See Day, Dutch in Java, p. 293. Culture percentages were abolished in 1866. In 1867 Regents were deprived of "land that he had held as appanage of office" and, in 1882, of "rights ... to command the personal services of his people." See Furnivall, Netherlands India, p. 193.

[72]Furnivall, Netherlands India, p. 193.

prove useful," to "keep in close touch with all local notabilities" as a "natural friend and advisor," and to attend the monthly vergaderingen, "where he could represent the views of Government and hear those of the people."[73] The Controleur had no independent authority (that is, authority deriving from his office alone) in financial, magisterial, or police matters. Rather, in the view of one Dutch scholar, it was the contact that the controleur had with the people that "gave him his intimate knowledge" and made him the "axle of the whole organization." Further, "[i]f one understands this function one understands the whole administrative system and even administrative policy."[74]

The Ethical System

This examination of the Dutch colonial system ends with a discussion of the Ethical System, the reforms introduced into Netherlands India from the beginning of this century. Ethical policy involved a change from the liberal tradition of laissez-faire to more active policies to promote economic expansion, government efficiency, and social welfare. But among the advocates of the new policies there was a tendency to "emphasize the development of material wealth rather than of human welfare, and to consider what can be done for the Javan rather than what can be done with the Javan, without noticing that the real problem was to discover what the Javan would do for himself."[75]

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[73]Furnivall, Netherlands India, p. 194.

[74]Angelino, Colonial Policy, Vol. II, p. 97.

[75]Furnivall, Netherlands India, p. 235.

Liberal policy led to the expansion of western enterprise in Netherlands India. This had expanded the duties of the European Civil Service and further emphasized the dualism of the colonial administration. Enthusiasm for laissez-faire economic policy waned with the economic depressions of 1883-85, 1895, and 1900. Moreover, there was a rising conviction that the welfare of indigenous peoples in Netherlands India was declining, rather than increasing. In 1901, the Queen of The Netherlands drew attention to the issue of indigenous welfare and called for an enquiry into the "cause of diminishing welfare in Java."[76] The beginning of the Ethical period can therefore be dated from this time.

Ethical policy called for more interference in the economic and social affairs of indigenous peoples by the colonial administration. Ethical policy aimed at providing funds for the enhancement of social welfare by promoting economic progress, which was to be generated primarily by western enterprise. It then aimed at using village institutions to promote social welfare directly.

The Village Act of 1906 is instructive of Ethical policy. This Act "intended to convert the village into a petty municipality on western lines."[77] Villagers were empowered to administer there own affairs. It was hoped that villagers would learn the value of political democracy, and act with regard for the general interest of the village. Individual welfare was to improve with the enhancement of social welfare. A comparison

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[76]Furnivall, Netherlands India, p. 393. See also Angelino, Colonial Policy, p. 286, and also Furnivall, Colonial Policy, p. 227, where the date of the Queen's remarks are given as 1902.

[77]Furnivall, Colonial Policy, p. 227.

with British policy in Burma at about the same time is also instructive. The British aimed at enhancing social welfare by promoting individual welfare. Dutch and British policies were thus based on opposing principles. But both policies led, in practice, to the growth of official mechanisms of government.

Rather than instructing villagers in political democracy, however, Ethical reforms gave Controleurs even more influence in village affairs. Controleurs worked more and more through the lower ranks of the Native Civil Service. Villagers took the recommendations of Controleurs as commands, and the influence of Regents diminished further. Moreover, the extension of government functions meant the growth of specialized departments: for education, agriculture, medicine, and veterinary care, for example. Over time, specialist officers became more and more independent of European officers charged with general administration. The Dutch administration came increasingly into direct contact with, exercising direct control over, indigenous peoples. This changed the nature of Dutch indirect rule itself.

III. ECONOMIC PROGRESS

Majapahit

Majapahit was the center of a network of maritime trade that linked continental India and China to Java, the Spice Islands, and other islands in the Indonesian archipelago. Majapahit produced a surplus of rice that was exchanged for goods from India (muslins and calicoe cloth), from China (procelins, jade, and silk), from the Spice Islands (cloves, mace, nutmeg), and for goods from other islands in the region (Rhinoceros horn and ivory

from Sumatra, for example). Trade was extensive and in Javanese hands. When the Portuguese arrived in Malacca, they found a "large colony of Javanese merchants under its own headman." The Javanese were skilled in many crafts: ship-building, construction, smithing, carpentry, plaster-working, and founding cannon (a necessary item on merchant ships in those days). "[T]here was a gradually accumulating social heritage of skill," and it is worth noting that "the people as a whole ... had a wider range of activities than at any time before or since."[78]

Under the Portuguese

The Portuguese reached Malacca in 1498, at which time it was a thriving center of trade. Markets, or fairs, were held periodically at the main ports of the archipelago. Malacca was the most important of these. Its population swelled (reportedly to one million) during its fair. The various peoples engaged in trade were governed by their own leaders. The Portuguese took control of Malacca in 1511.

By 1522 the Portuguese had obtained permission to establish a fort on Tidore, in the Moluccas. In addition, they were granted a monopoly on the trade in cloves. But Portuguese influence declined, even after its power was joined with Spain in 1580. The Portuguese and Spanish introduced maize, tobacco, sweet potato, and cocoa. However, by "about 1600, as in 1500, it seemed that the tropical Far East would fall to the Mahommedans." But in 1596, Dutch trading ships arrived in Java, finding the island divided between two powerful kingdoms. These were Mataram, an "agricultural power,

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[78]Furnivall, Netherlands India, p. 9.

holding most of the island," and Bantam, "a commercial power with a far smaller territory."[79]

Under the Dutch East India Company

At first, trade with the East Indies was not hugely successful, although it did stimulate a great deal of activity. The trade was extremely precarious: the Dutch found through experience that there was a "need for a common rule and policy."[80] In 1602 a charter from the States-General formed the Dutch East India Company, which was granted a monopoly on trade with the East Indies. Monopoly of trade would be the unyielding policy of the directors of the Company until its demise nearly two hundred years later. This policy was often against reason, and on occasion against the advice of the Company's Governor-General in Java.

Dutch dominion was gradually established over the Indonesian archipelago. The goals of the Company required the regulation of production in the East Indies. At times the Company sought to restrict production, other times to encourage it. Warfare between rival states was a frequent feature of indigenous life. One of the most important contributions of the Dutch was peace and political stability. There is some evidence that there was economic progress under the Company, especially in the eighteenth century. The general peace brought an increase in population, which led to an increase in the

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[79]Furnivall, Netherlands India, pp. 17, 18.

[80]Furnivall, Netherlands India, pp. 21-22.

production of rice (in spite of suppression of the rice trade from Mataram). Further, there was an increase in production of sugar, indigo, and coffee. In fact, "[i]n the eighteenth century the products of the Spice Islands came to occupy only a minor place in the exports" of the Dutch East Indies. This alone indicates significant economic change in the region. But it should be noted that "practically the whole demand for European goods came from the Company and the European population."[81]

After Daendels and Raffles

The end of the eighteenth century also saw the end of the Dutch East India Company. Thus the beginning of the nineteenth century was a time of transition in the Dutch East Indies. The most significant elements of this transition were the reforms introduced by Daendels and Raffles.

It is difficult, however, to assess the extent of economic progress over this period, or to say with any certainty whether or not the reforms of Daendels or Raffles were beneficial to economic progress. An increase in trade indicates economic expansion. More ships were coming to Batavia and other ports and more commercial firms were operating. In addition, "there would seem to have been an increase in [crops] which the cultivators grew mainly for their own consumption."[82]

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[81]Furnivall, Netherlands India, pp. 42, 43.

[82]Furnivall, Netherlands India, p. 75.

There was a six-fold increase in the output of coffee from 1816 to 1823. There was also expanded production of sugar, tobacco, indigo, and rice, and an increase in the number of private firms in business.[83]

But the major economic problem of this time, as has previously been mentioned, was public finance: expenditures by the colonial governments exceeded revenues. Further, very little trade was handled by the Dutch, a fact which added to their problems. It was not until the Culture System of Van den Bosch was introduced that these problems were solved, at least for a time.

Under Van den Bosch

The impact of the Culture System was "sudden and profound, almost miraculous." In 1830, the value of merchandise exports were f12.9 million.[84] This figure reached f32.6 million in 1835 and then f74.2 million in 1840, when Van den Bosch resigned as Colonial Minister.[85] There was a large increase in the export of rice and the value of exports of tobacco rose from f180,000 in 1830 to f1.2 million in 1840 and to f2.3 million in 1845. Van den Bosch had aimed to increase the production of coffee and sugar to nearly 25,000 metric tons each, and the production of indigo to nearly 125,000 metric

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[83]Furnivall, Netherlands India, p. 94.

[84]The unit of currency is the guilder, or florin. Its value at gold par in 1938 was British 1s. 8d., or U.S. $0.40.

[85]Van den Bosch served as Governor-General in Netherlands India from January 1830 until January 1834. He then served as Colonial Minister in The Netherlands until 1840. The Culture System was directed in the Indies by Governors-General J.C. Baud (1834-1836) and D.J. de Eerens (1836-1840). Van den Bosch died in 1844.

tons. By 1840, output of coffee and sugar was over 60,000 metric tons, and output of indigo had surpassed its goal.[86]

Further economic progress can be seen in the increased attention to public works. The "administrative machinery of Van den Bosch gave the State an almost unlimited command over free labour," which was used to build roads, bridges, and erect public buildings. The economic progress achieved at this time did not require the import of capital. Rather, the "increase in production was mainly due to the growth of population and to the organization of labour for State cultivation."[87]

There were problems associated with this pattern of development. All Dutch trade was conducted through the Nederlandsche Handelmaatschappij (N.H.M.), which had been chartered in 1825. By 1840, two-thirds of the export trade from Java was handled by the N.H.M. Further, aside from cotton goods, imports were mainly "luxuries and comforts for the European and Chinese populations."[88]

Though at first successful, the theory on which the Culture System was based was "inherently vicious." Political and economic powers were vested in the same officials and, in time, "the Culture System grew until it overshadowed and blighted the country, and nothing remained but the Government as a planter on a superhuman scale with the N.H.M. as its sole agent."[89] But the expansion in government revenues stimulated

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[86]Furnivall, Netherlands India, p. 127.

[87]Furnivall, Netherlands India, pp. 127, 128.

[88]Furnivall, Netherlands India, p. 131.

[89]Furnivall, Netherlands India, pp. 151, 121.

capitalist interests, which wanted the economy opened to private business. Colonial administration became an issue in the politics of The Netherlands, with "considerations of economic progress and the welfare of the people vehemently debated in a tangle of argument based on practical and moral grounds."[90] The debate was finally won by the exponents of liberalism around 1870, marking the next important stage in the development of Netherlands India.

Under the Liberal System

The period 1870-1900 was profoundly influenced by the opening of the Suez Canal and the new liberal policy encouraging capitalist enterprise. Progress in the rural economy was confined to capitalist enterprise. Indeed, there is evidence to suggest that the growth rate of food crop output was less than a decreasing rate of population growth. But there was significant expansion of production for export by capitalist enterprise, especially the production of sugar, which was facilitated by greater access to capital. Further, there was a great increase in the output of tobacco, while the output of coffee equalled the output of the best years of the Culture System.

However, serious problems arose when the prices of sugar and coffee fell between 1877 and 1883. This threatened the entire economic system because of complications arising from unsound finance. Credit was supplied by Culture Banks that had been attracted to Java with the opening of the country to capitalist enterprise, but that knew little of modern banking practices or the peculiarities of "long-term credit, such as was

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[90]Furnivall, Colonial Policy and Practice, p. 222.

needed for the financing of plantations." Finance by Culture Banks led to systemic fragility in the economy and thus "the sudden fall of prices threatened general bankruptcy."[91]

This crisis led to a reorganization of the capitalist sector of the economy of Java. Total disaster had been averted by the N.H.M. and the Java Bank. After the crisis, the Culture Banks were "linked up with normal banking institutions with headquarters in the Netherlands" that demanded sounder banking practices. Further, plantations became limited companies, each with "salaried managers, responsible to the directors of the company." Also, the Culture Banks themselves demanded more control and were thus able to "insist on improvements in the techniques and economy of production and on common sales policy."[92] Adaptation to crisis had created new coordinating mechanisms in the capitalist economy in Java and had given financial interests new powers for control from The Netherlands.

The crisis was over by 1885, and the capitalist economy exhibited renewed vitality. Improved coordination of activities led to cooperation among sugar manufacturers who established new experimental stations. "[O]ne of these soon disappeared, [but] the two others were amalgamated under a single direction so that each could specialize on different types of problems."[93] After 1895, the general interests of the sugar industry were promoted by the General Syndicate of Sugar Manufacturers.

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[91]Furnivall, Netherlands India, pp. 196, 197.

[92]Furnivall, Netherlands India, pp. 198, 199.

[93]Furnivall, Netherlands India, pp. 199-200.

The results of the new coordination and cooperation were impressive. Imports of fertilizers rose from f335 thousand in 1885 to over f2 million in 1890 and to f5.45 million in 1900. From 1885 to 1891 there had been imports of f3 million of machinery, mostly for sugar manufacture. In the year 1900 there were imports of f3.89 million for sugar production alone. Further, area cultivated in sugar rose from nearly 38,500 hectare to over 90,000 hectare between 1870 and 1900, with yields rising from 4.35 metric tons per hectare to about 8.7 metric tons per hectare. Moreover, these results were achieved in a period of falling prices.[94]

Coffee production also saw further expansion. Two varieties succumbed to disease in the 1870's and 1890's, but production rose from nearly 9,500 metric tons to nearly 25,500 metric tons in 1900 in spite of large annual fluctuations. The response to the crisis of 1885 proved to be a stimulus to other crops as well, leading to a more diversified economy. From 1870 to 1900 the use of steam plants outside of the sugar industry rose from 206 to 1,181. Further, while sugar and coffee exports amounted to f76 million in 1870, making up 75 per cent of the total value, in 1900 the value of coffee and sugar exports reached f108 million, but made up only 40 per cent of the total value of exports.[95]

There was additionally a change in the nature of imports during this time. Before, imports were mainly articles of luxury for Europeans intended for consumption or cloth goods that were cheaper and more attractive than local products for the Javanese. After

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[94]Furnivall, Netherlands India, p. 200.

[95]Furnivall, Netherlands India, pp. 200-201.

1870, imports became increasingly goods intended for production. Fertilizers, iron, steel, machinery, and tools were imported, expanding the productive capacity of Netherlands India.[96]

However, Netherlands India experienced a series of depressions at the close of the nineteenth century. These, in part, along with new ideas on colonial policy that emerged toward the end of the nineteenth century, led to the policies of the Ethical System.

Under the Ethical System

Economic policies in the Ethical period used the powers of the colonial government to encourage economic progress across a broad front: in agriculture, forestry, mining, industry, and in commerce, among other areas. Ethical policy also sought to further economic progress through the organization of scientific research. Wider views of government functions led to the creation of a Department of Agriculture in 1905, which was expanded in 1911 to include Industry and Commerce, and finally to the creation of the Department of Economic Affairs in 1934. Meanwhile, the General Agricultural Experiment Station was established in 1918, which included an Agricultural Institute, a Geological Institute, and an Institute of Plant Diseases. Most important, perhaps, was the attention given to the study of indigenous agriculture. According to Furnivall, after the "expenditure of much time and money on teaching agriculture to the people, it was

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[96]Furnivall, Netherlands India, p. 208.

realized that it was first necessary to study native agriculture so as to find out what improvements were practicable."[97]

Ethical policy continued to encourage capitalist agriculture, organized by Europeans on government land or on land rented from cultivators. Plantation agriculture made impressive progress during this period. Government land allocated to plantation agriculture rose from 117,000 hectares in 1900 to 566,000 hectares in 1930, while land rented from cultivators rose from 89,000 hectares to 204,000 hectares over the same period. Ethical policies also led to impressive progress in indigenous agriculture, both in terms of output and in the variety of produce. While the total value of agricultural produce rose from f153 million to f859 million, the value of the indigenous share of agriculture rose from f16 million to f259 million, or from 10.1 percent to 30.2 percent of the total. Important food crops included maize, tapioca, sweet potato, peanuts, soy beans, and potatoes. Export crops produced by indigenous people included rubber, tobacco, tea, copra, and sugar.

Consistent with the aims of Ethical policy, the economy progressed along a broad front. Net forest revenue rose from f1.02 million in 1897 to f9.4 million in 1927. Production of tin increased from nearly 18 metric tons in 1900 to over 33 metric tons in 1930. Coal production increased from 203 metric tons to 1870 metric tons, and production of crude oil rose from 363 metric tons to 5531 metric tons over the same period. However, as will be discussed later in this chapter, economic progress did not improve the economic position of indigenous peoples.

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[97]Furnivall, Netherlands India, p. 307.

IV. SOCIAL WELFARE

Pre-colonial Netherlands India

In the pre-colonial period a distinct culture developed in the Indonesian archipelago. Kingdoms rose and fell while new influences, from Hindus and Muslims in particular, were assimilated. Elements of a common Indonesian culture were identifiable by the time of the Kingdom of Majapahit. Furthermore, Indonesian culture was stable as well as distinct. Commenting on Javanese culture, Furnivall says that "a description of the conditions of 1405 might serve quite well for the present time."[98]

But another feature of social life, which became dominant in the colonial period, had its beginning long before the arrival of the Dutch. The Hindu Kingdoms had successfully organized market places for trade with continental India and China. Chinese merchants established themselves in these markets, which provided new facilities for transporting goods from India to China. The Chinese were "interested solely in commerce." They were "in economic contact with local society but form[ed] no part of it."[99] It is probable that they conducted their private civil business under their own headman. There was, thus, even from early times, the beginning of a plural society.

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[98]Furnivall, Netherlands India, p. 14.

[99]Furnivall, Netherlands India, p. 8.

The Dutch East India Company

Furnivall is clear in his assessment of rule by the Company: "material progress was not accompanied by any corresponding advance in social well-being." Deterioration in social life probably started before the arrival of the Dutch, but they "completed what others had begun."[100] Dutch interests in the East Indies required the suppression of indigenous commerce. Indigenous peoples thus lost their occupations as merchants and ship-builders. Their economic life was necessarily narrowed. But, even as cultivators, they were adversely affected by the suppression of the rice trade. According to Furnivall, a large export trade in rice suggests cultivation for export markets rather than for home consumption. The indigenous peoples had responded to new economic opportunities, only to have those opportunities removed at a later date. Still later, they were even accused of not responding to economic incentives.[101] When the Company introduced coffee, its cultivation spread rapidly among the people as long as it was profitable. The Company wanted tropical produce, but they had nothing to offer in return. They were therefore not interested in raising the level of income of the people. Dutch interests thus led to forced labor and compulsory delivery of tropical produce. To Furnivall, the "economic life of the people was not merely stunted by the suppression of all economic activities but agriculture, it was also vitiated by the nullification of economic laws."[102]

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[100]Furnivall, Netherlands India, p. 43.

[101]This issue will be discussed in chapter 6, where the ideas of Furnivall and Julius H. Boeke are compared.

[102]Furnivall, Netherlands India, p. 51.

Moreover, to achieve their goals, the Dutch empowered indigenous rulers with authority over land and labor. But, in the traditional society, the power of a ruler was limited by customs that had developed in the course of social evolution. Supported by the Dutch, indigenous rulers had more power than before. The "centre of gravity of the native social order was displaced, and society was maintained in unstable equilibrium by the Dutch power acting from outside it."[103] Further, unlike the Hindus and Muslims, the Dutch did not become assimilated into a distinct Indonesian society. They retained their own culture and, along with the Chinese, became elements of a plural society.

The Chinese had an important place in this plural society, a place that reinforced the plural nature of society as it adversely affected the indigenous peoples. Earlier indigenous merchants had competed successfully with Chinese merchants. But, while the Dutch suppressed indigenous trade, they encouraged Chinese merchants, who came to have command over the markets for imports. Their place in the economy, as merchants and middlemen, became so important that "before long the whole economic structure of society would have collapsed without its Chinese element, and the Chinese were as necessary to Dutch rule as Dutch rule was to the Chinese."[104] The processes of plural economy were evident from the days of the Dutch East India Company.

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[103]Furnivall, Netherlands India, pp. 44-45.

[104]Furnivall, Netherlands India, p. 48.

Raffles

Raffles, as mentioned earlier, sought to improve the welfare of the indigenous peoples by introducing liberal economic reforms. To this end he worked to abolish compulsory labor, establish private property in land, and diminish the power of the Regent by turning the village into a unit of administration under the village headman.

Free cultivation, however, led to indebtedness to money-lenders, most of whom were Chinese. In addition, in spite of regulations introduced by Raffles, Regents were able to retain possession of their lands. Cultivators were thus subject to abuse from both Regents and money-lenders. Further, Raffles encouraged the import of British cotton goods, which adversely affected the domestic weaving industry as well as domestic cultivation of cotton and indigo. Long suppressed as merchants, the indigenous peoples were unable to respond to new trading opportunities, and the advantages of increased trade accrued to Chinese and Arab merchants.

Diminished in power and prestige, indigenous leaders were less able to maintain order. This, along with indebtedness and idleness, led to an increase in crime. Thus, in spite of the intentions of Raffles, the indigenous peoples were further impoverished in their economic and social lives.

The Dutch returned to power in 1816, but retained many of the reforms introduced by Raffles. Thus, until 1830, the social economy of Netherlands India proceeded along lines begun under Raffles. New developments occurred under the Culture System, and it is the period of Van den Bosch that will be examined next.

Van den Bosch

Van den Bosch recognized that the economic freedom introduced by Raffles was profitable to the British but detrimental to the Dutch. He also recognized that Dutch merchants had been adversely affected by twenty years of foreign rule. He therefore introduced the Culture System to increase the output of tropical produce, and he introduced the Consignment System to strengthen Dutch merchants.

There is evidence that the Culture System was favorable to social welfare until about 1840. Output increased dramatically, especially for export produce. Further, in many areas, Dutch officials saw that output for home consumption did not decrease, so that exports added to the incomes of indigenous peoples. In addition, expanded output stimulated other economic activities (transportation, which itself required the cultivation of fodder, for example). The Culture System brought new wealth and new economic opportunities that enhanced social welfare, at least in certain areas.

Moreover, Van den Bosch wanted to interfere as little as possible with indigenous social institutions. His successor, Baud, issued orders against "all unnecessary interference with the social institutions and customs of the people, among which the social institutions of the village government takes first place. It has long been recognized that this represents the chief protection of the people against excessive demands and oppression by Government, and although such precautions may no longer be necessary,

it is no less true that they greatly value their village autonomy and any encroachment on it might be most disastrous."[105]

But, to expand production, Van den Bosch reestablished the authority of the Regent. As before, the power of the Regent derived from the Dutch, and was therefore unencumbered by traditional constraints. Also, both Regents and European officials were remunerated with culture percentages, which gave both an incentive to abuse their positions. Often there was too much land devoted to export production, and exports expanded at the expense of home consumption.[106] Further, Regents more than ever burdened the people with compulsory cultivation and forced labor on public works and personal services.

To Furnivall, the Culture System was pushed too far. Though beneficial until about 1840, output as well as welfare started to decline thereafter. After a series of famines in the 1840's, sentiment in The Netherlands began to turn against the Culture System, and it was replaced by the Liberal System around 1870.

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[105]Furnivall, Netherlands India, p. 140, quoting Baud.

[106]This was not always true. As mentioned earlier, when officials worked successfully to maintain production for home consumption, expansion of exports did not occur at the expense of home consumption.

The Liberal System

The Liberal System gave new emphasis to capitalist enterprise. At first a stimulus to output and welfare, the Liberal System led eventually to stagnation and diminished welfare. The people, "instead of growing richer ... were growing poorer."[107]

There were, however, elements of the Liberal System that tended to provide some measure of social protection. First was the tradition of Dutch rule that the people should be protected from oppression by their own leaders. This tendency was furthered in this period by the abolition of culture percentages and the development of a professional Native Civil Service. Second was the tradition of Dutch rule that land should not be alienated to foreigners. While relieving oppression from foreign landlords, however, this policy tended to prevent the introduction of western ideas of private property in land. The people were thus prevented from adjusting to a more market oriented economy. The third means of protection was the village system. Although capitalist planters could obtain labor with the aid of village headmen, villagers were still required to provide compulsory labor for public works. This diminished the supply of labor and, though wages fell in this period, kept wages from falling even lower.

The object of liberal policy was to enhance the general welfare by removing obstacles to individual gain. But in the plural society of Netherlands India, only the Europeans and Chinese gained, and measures protecting the social welfare of indigenous peoples reinforced the working of plural economy by preventing the people from leading a wider

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[107]Furnivall, Netherlands India, p. 214.

economic and social life. The economic divisions of the plural society were more strictly drawn than ever: "all that the Natives sold to Europeans they sold through Chinamen, and all that the natives bought from Europeans they bought through Chinamen."[108] Thus, "to many who expected great things from the noble sentiments and shrewd forecasts of Liberal prophets the results were a bitter disappointment."[109]

The Ethical System

The characteristic pattern of development in a plural economy had been established in Netherlands India in the nineteenth century, and the economy continued to develop along this pattern. Division of labor followed the divisions of the plural society, and the weakness of social demand prevented the organization of activities among indigenous people to improve social welfare.

Enquiries into the welfare of indigenous peoples in Netherlands India began soon after the Queen's remarks of 1901. The first, submitted by C. Th. van Deventer in 1904, found that "there has been a backward movement, and certainly no progress in the prosperity of Javanese agriculturists."[110] Van Deventer concluded that diminishing welfare was caused by the growth in population, which had risen from around 19 million to over 28 million between 1880 and 1900. A more thorough enquiry, the Diminishing Welfare Enquiry, was begun in 1902. Results were published in thirty-three volumes

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[108]Furnivall, Netherlands India, p. 213.

[109]Furnivall, Netherlands India, p. 223, quoting W.J. van Welderen Rengers.

[110]Angelino, Colonial Policy, Vol. II, p. 287, quoting C. Th. van Deventer.

from 1905 to 1914, with additions in 1920.[111] But is was soon clear that the results of this enquiry would not be available for some time, and another enquiry was begun in 1905. This, also completed in 1914, found conflicting evidence but concluded that the welfare of indigenous peoples had improved since 1905. After the First World War, however, complaints about welfare arose again, and another enquiry was begun in 1920. This enquiry, using the information of the Diminishing Welfare Enquiry along with more recent information, concluded that, while the position of the indigenous laborer had probably improved, the conditions of cultivators had not improved since 1904; that there had been no improvement in indigenous industry, commerce, or shipping; and that there had been no emergence of an indigenous middle-class. Finally, the Enquiry of 1924 based its comparisons on conditions existing in 1913. It concluded that there had been little change in the economic situation of the vast majority of population, and that indigenous industry and commerce had made little or no progress.

Furnivall himself reports that, between 1900 and 1913, there had been large increases in imports of rice and cotton goods, indicating increased indigenous consumption of these goods, and therefore an improvement in indigenous welfare. Between 1913 and 1930, however, imports of these goods stagnated, despite an increase in population, indicating

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[111]It should be pointed out that the keeping and analyzing of economic and social statistics received great stimulus from the attention to the welfare of indigenous peoples that characterized the Ethical System. Reliable information on the condition of indigenous peoples was not available, then, until after the beginning of this century. Of course, developing means of gathering and analyzing reliable statistics takes time, and colonial administrators had little experience to guide them in these matters. A major weaknesses in much of the statistical information was that it could not be dissaggregated into the separate elements of the plural society. See Furnivall, Netherlands India, pp. 395-404.

a decrease in indigenous welfare.[112] The information provided by Furnivall, along with the results of the Dutch welfare enquiries, suggest that the economic situation of indigenous peoples improved immediately after the introduction of Ethical policies, just as there had been improvements after the introduction of the Culture System and the Liberal System. But, as before, improvements turned to stagnation because of the problems of plural economy had not been resolved. Thus, in this century as before, in Netherlands India the "natives [grew] in numbers and the other sections of the community, the Europeans and the Chinese, in wealth."[113]

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[112]Furnivall, Netherlands India, p. 401.

[113]Furnivall, Netherlands India, p. 404.

CHAPTER VI

FURNIVALL: THE DEVELOPMENT OF HIS THOUGHT

This chapter will examine the development of Furnivall's thought over the course of his career. Attention will be focussed on the development of the ideas that contributed to the theory of plural economy articulated in Furnivall's most important work, Colonial Policy and Practice. To facilitate this examination, I divide his work into periods that correspond to events in his own career, his intellectual achievements, and to events in the history of Burma. The result will be to place Furnivall the man as well as his ideas within the context of his time.

The first period, from 1902 through 1923, corresponds to his career in the Indian Civil Service (the I.C.S.). It includes the publication of his first scholarly work and ends with his retirement from the I.C.S. The second period runs from 1924 through 1931, when his first major work, An Introduction to the Political Economy of Burma, was published.[1] The third period, from 1932 through 1939, reflects his interest in the Dutch administration of Netherlands India. Furnivall travelled to The Netherlands and Netherlands India during 1933-1935 to pursue his study of Dutch colonial administration in Netherlands India. This study culminated in the publication of Netherlands India: A Study of Plural Economy in 1939. The fourth period runs from 1940 through 1948. During these years Furnivall produced the comparative analysis of colonial development that is found in Colonial Policy and Practice. Though this work was completed before

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[1]See n. 1, p. 47.

1948 (its date of publication), and many of the ideas were articulated in minor works before 1948, this date marks the end of British rule in Burma, and therefore marks a transition to a new period in Furnivall's life. The last period therefore runs from 1949 to his death in 1960, a period during which he worked as an advisor to the independent government of Burma.

I. FURNIVALL: 1902-1923

The Indian Civil Service

Furnivall entered the Indian Civil Service on October 22, 1902, after passing examinations and receiving probationer's training in London. He arrived in Burma on December 16, 1902. He received his first posting December 22, 1902 as an Assistant Commissioner at Moulmein. On September 9, 1903 he was assigned to Toungoo. These postings were followed by assignments as Assistant Commissioner at Kawkareik (July 27, 1905), Moulmein again (September 9, 1905), and Paungde (December 7, 1905). He was assigned to Nyaunglebin September 2, 1906, and was then assigned to Myingyan on April 19, 1907.

His I.C.S. career took an important turn when he was assigned to Hanthawaddy (Rangoon) as Assistant Settlement Officer.[2] His duties as Settlement Officer would

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[2]The date of this assignment is given as December 1909 in History of Services of Gazetted and other Officers in Burma, Volume I, Part I (Rangoon: Government Printing, 1924), p. 34. Hereafter referred to as History of Services. The date of this assignment can not be correct. Records indicate that he was posted to Myingyan as Settlement Officer in September, 1909; and Furnivall himself refers to his work in Hanthawaddy as Assistant Settlement Officer in an article published in December, 1909. The date of this

provide Furnivall with vital experience for his future efforts to explain colonial development. These duties included an examination of the history of land tenures in the district and the assignment of tenure rights and obligations for land taxes as well as a general examination of agricultural development. Furnivall was assigned again to Myingyan in September 1909, as Settlement Officer, and remained at this posting until February 7, 1914. As Settlement Officer, Furnivall's duties included writing an official Report of the First Regular Settlement Operation in the Myingyan District: Season 1909-1913, published by the Government Printing Office in 1915.[3]

Furnivall went on leave from February 21, 1914, but was recalled to duty after the outbreak of war in August and assigned to the Office of the Commissioner in Tenasserim Division in October. Then, in December, he was assigned to Mergui, where he served as Deputy Commissioner from January 21, 1915. In March 1916, Furnivall was assigned to Myaungmya as Deputy Commissioner. Aside from a ten-day special assignment to Pyapon in August 1917, he retained his post at Myaungmya until May 1919, when he was assigned to Pegu as Deputy Commissioner.

Finally, Furnivall was assigned to Rangoon in May 1920, and became Commissioner of Settlements and Land Records in August of that year. From November 1920 until July 1921, Furnivall was on special duty as the President of the Committee to Examine the

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posting, then, must have occurred in 1907 or 1908.

[3]J.S. Furnivall, Report of the First Regular Settlement Operation in the Myingyan District: Season 1909-1913 (Rangoon: Government Printing Office, 1915).

Land Revenue System.[4] The Report of this committee, published by the Government Printing Office in 1922, is a detailed examination of the land revenue system of colonial Burma and included the committee's recommendations for changing that system.[5] This Report, along with the his settlement Report of 1915, shows how closely Furnivall was involved with issues affecting economic development, and how important his experiences as a colonial administrator were for his later intellectual endeavors. Furnivall returned to his duties as Commissioner of Settlements and Land Records in July, 1921 and, except for a brief posting as Commissioner of the Pegu Division in November and December of 1921, he served in this assignment for the remainder of his career with the Indian Civil Service. Furnivall was on leave for twenty-eight months from June 20, 1923, and was permitted to retire at the expiration of this leave.

One can only speculate about his reasons for leaving the I.C.S. at that time. He says in Political Economy of Burma that the recommendations of the Committee to Examine the Land Revenue System, on which he served as president, were not accepted by the Government of Burma.[6] I do not know whether this influenced his decision to resign from the service. Perhaps a hint is given by his life-long friend, Professor G.H. Luce, who said that Furnivall "pestered governors with reasoned protests and remonstrances.

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[4]This committee is referred to as the Committee for the Revision of the Land Revenue System in History of Services, p. 35.

[5]J.S. Furnivall, et al., Report of the Committee to Examine the Land Revenue System, 2 vols. (Rangoon: Government Printing Office, 1922.)

[6]Furnivall, Political Economy of Burma, p. 260.

Always ready to take upon himself the sins of others, he resigned the service ...."[7] Later, in 1942, Furnivall was requested by the Government of Burma to give his views on post-war conditions in Burma. This work led to the writing of Colonial Policy and Practice. Again, his views were not accepted. Again, one can only speculate, but it is possible that his views and recommendations, at odds with the official views and policies of the British government, induced that government to withhold the recognition he so clearly deserved for his lifetime of service.

Important Work

In this examination of the body of Furnivall's work, the criterion used to determine whether a work is important is whether the item as a whole (as opposed to isolated statements within the item) contributes to the theoretical framework of plural economy. Aside from the government documents already mentioned, four items clearly qualify as important. These items include three published papers--"Land as a Free Gift of Nature,"[8] "The Organization of Consumption,"[9] and "Education and Economics"[10]--and one pamphlet--Industrial Agriculture.[11]

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[7]G.H. Luce, "Uncle Gyi," The Guardian 6, no. 6 (June 1959): 34-35.

[8]See n. 4, p. 10.

[9]See n. 5, p. 10.

[10]J.S. Furnivall, "Education and Economics," The Economic Review 22 (1912): 380-91.

[11]J.S. Furnivall, Industrial Agriculture, (Cambridge: Cambridge University Press, 1920). Reprinted in the Journal of the Burma Research Society 48, pt. 1 (June 1965): 85-97. All references are to this reprint.

Examination of these items reveals that very early in his career Furnivall expressed the view that the economic theory that had developed in the west had limited applicability in the lands of the tropical east administered by colonial powers. It can also be seen that Furnivall began to think about the peculiar kind of society that existed throughout the tropical east in the colonial era--that is, what he would later call "the plural society."

"Land as a Free Gift of Nature" was published in 1909 in the Economic Journal. It is not certain whether Furnivall began this item before his first posting as an Assistant Settlement Officer in Hanthawaddy. That Furnivall finished this item after his assignment to Hanthawaddy is indicated by the following statement in the article: "It has been my fortune recently to assist in some inquiries, which included an investigation of the former system of land tenure in the neighborhood of Rangoon ...."[12] It is clear, however, that in this item Furnivall recognizes that some of the assumptions made by western economists about land tenure are invalid.

In this article Furnivall writes about the system of land tenure prevalent in Pegu in 1853, when it was annexed by the British. Furnivall states that land tenure in Pegu offers an example of "ownership of land under circumstances different from those obtaining in the West." Furthermore, the case of Pegu contradicts a widely held economic assumption. He quotes Adam Smith, who thought that "an early and rude state of society ... precedes ... the appropriation of land." In Pegu, however, society was highly organized in 1853, but "land was ... for the most part unappropriated."[13]

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[12]Furnivall, "Land as a Free Gift of Nature," p. 555.

[13]Furnivall, "Land as a Free Gift of Nature," p. 552.

Pegu was largely unpopulated when it was annexed by the British. There was no market for surplus rice; the principal economic activities were salt boiling, fishing, and preparing salt fish, which was "almost as necessary to the Burman as rice itself." The need for rice was easily met, and land was as plentiful as the harvests. Rights of occupation, as opposed to western ideas of ownership, organized the use of land, and the system was recognized by the pre-colonial Burmese government. The differences in ideas of tenure did not go unnoticed by the British. Furnivall quotes Colonel Ardagh, the officer in charge of Rangoon District in 1862: "It is a system ... which if we desire to encourage, as we should, the idea of property and right in the soil, our efforts should be directed to gradually abolish."[14]

The main points of Burmese land tenure have already been discussed in the examination of the traditional Burmese economy. Here it is only necessary to restate that "tenure in Pegu [was] temporary appropriation of the land during the period of cultivation only."[15] Land that was unoccupied was generally available for occupation and cultivation by all. Furnivall did not see land ownership as a concept that was applicable across cultures. Nor does he suggest a dichotomy between western and eastern ideas of ownership or between modern and traditional ideas of ownership. That is, he does not suggest a simple dichotomy between private (western or modern) and communal (eastern

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[14]Furnivall, "Land as a Free Gift of Nature," p. 554. Furnivall gives no further identification of Colonel Ardagh.

[15]Furnivall, "Land as a Free Gift of Nature," p. 559.

or traditional) ownership of land.[16] Though there is little discussion of western ideas in this article, Furnivall clearly implies that private ownership of land is a characteristic of land tenure in the west that has evolved from economic and social conditions specific to the west. Likewise, ideas of land tenure and practices of land use in the east have evolved from specific economic and social conditions. They need not include private ownership of land, nor would it be adequate to say that they thought of land as communal property.

Already Furnivall had seen the necessity of understanding the organization of social activities in terms of the concepts specific to each society. It is the vital first step for providing, as Thorstein Veblen would have it, a theory of economic organization as a "process of cultural growth ... a theory of a cumulative sequence of economic institutions stated in terms of the process itself."[17]

The next important item to consider is Furnivall's second published article, "The Organization of Consumption," which appeared in 1910 in the Economic Journal. In this article Furnivall began to articulate ideas that would develop into the concept of social

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[16]Such a dichotomy results from explaining eastern or traditional systems of land tenure with ideas that have developed in the west, rather than explaining those systems in their own terms. Furnivall had been influenced by more sophisticated analyses of land tenures in non-western societies, as is indicated by his citations of Sir Henry Sumner Maine, Village-Communities in the East and West (New York: Henry Holt and Company, 1876), and B.H. Baden-Powell, Land-Systems of British India (Oxford: The Clarendon Press, 1892) to support his arguments. (Furnivall clearly meant to cite the works given above, though the article refers to Village Communities in India and to E.G. Baden-Powell, without a clear reference to the title of the work cited.)

[17]Thorstein B. Veblen, "Why Is Economics Not an Evolutionary Science?" in The Place of Science in Modern Civilization (New York: Russell & Russell, 1961 [c1919]), p. 71. Hereafter referred to as "Evolutionary Science."

demand. Furnivall says that under "normal conditions" consumption is "vitally organized." He illustrates his meaning: If watered milk is supplied in an area, individual consumers can either buy from another seller or stop buying milk. Neither will guarantee pure milk. "It is only organized consumption that renders pure milk possible; the individual demand is ineffective." Producers attempt to satisfy demand but, while demand is always manifest through individuals, "[u]nless there is an organized demand for the special product there will be no special adaptation in favour of producing it."[18] Organized demand is social demand--demand that is made effective through social organization for specific products and specific standards. (A doctoral dissertation written in an American university on a British administrator of colonial Burma would be an additional example, given in the spirit of Furnivall's argument, of a product supplied in response to an organized demand.) Organized demand thus gives rise to organized consumption.

One way or another, markets respond to organized demand--a society may, for instance, organize the incarceration of sellers of watered milk. But organized demand is most conspicuous when it is absent. The absence of organized demand is manifest through inactivity ("the natives are lazy") and "useless expenditures." Individuals, however, must buy what is available or not buy at all. More importantly, while the "want to possess things" may be satiated, the "want to do things ... [is] gratified with difficulty." Organized demand for things and activities is necessary to avoid stagnation, because organized demand is most important where markets are least effective, and markets are

[18]Furnivall, "The Organization of Consumption," pp. 24, 27.

least effective in meeting demand for social goods and activities that are needed for economic development. "[T]he demand for learning must of necessity be an organized demand."[19] Individual Burmans wanted education for their children, and purchased books in English that they could not read (perhaps, one might suppose, with the hope that it would not be a useless expenditure). Economic development requires organized demand for things and for activities, because activities, like education, require organized demand.

"The Organization of Consumption" demonstrates, as did the previous article, Furnivall's willingness to use ideas that were not part of the economic theory that developed in the west in order to understand the circumstances experienced in the east under colonial administration. His ideas were based on experience, and his theory of plural economy grew out of these ideas, and thus out of his experience. In addition, a word should be said about the tone of these works. Furnivall went beyond western economic thought because he found it necessary to do so, but he did not present a critique of western economic theory, nor was he severely critical of western economic theory. He did not find the ideas of western economic theory useful, so he used other ideas, but he did not attempt to find fundamental flaws in western economic theory. Judging from the tone of his work, it is possible to conclude that he saw his ideas as supplementary or complementary to western economic theory, rather than as an alternative standing in opposition to that theory.

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[19]Furnivall, "The Organization of Consumption," pp. 25-26.

The next important item of this period is "Education and Economics," published in The Economic Review in 1912. In this article Furnivall examines "the relationship between educational activity and the market for the educated product."[20] Furnivall arrives at two conclusions of importance in the development of his thought. First, he finds that education in Burma (and other parts of the east under colonial administration) is dominated by economic considerations. Second, he finds that the new organization of education disorganized traditional educational activities. This article, then, is his first attempt to articulate ideas of the liberation of economic forces and social disintegration.

In Burma there was little demand for educated Burmans outside the demand for English-speaking clerks for the colonial government and commercial firms. There was little demand for western education among Burmans except as a means to gain employment as clerks. Education was a means to an economic end; western education in Burma thus supplied what was demanded, but no more. There had been a well-developed system of education in Burma before British rule. Education was at that time an aspect of participation in traditional Burmese social life, but its purpose was to teach Burmese children how to live, not to provide instruction on how to earn a living. The demand for clerkships stimulated the demand for western education, and the demand for traditional education diminished. Burmans wanted their children to learn English, and as a result they became less literate in their own language. Literacy in the Burmese language was higher in Upper Burma than in Lower Burma, and in rural areas than in urban areas. Thus, the longer and the closer the contact with the colonial administration,

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[20]Furnivall, "Education and Economics," p. 381.

the less the influence of the monastery, the primary institution of the traditional educational system, and the greater the disintegration of that aspect of the traditional society. To Furnivall, there was a clear relation of cause to effect: the unrestricted working of economic forces led to the disorganization of indigenous life.

The last item to be examined in this section is Industrial Agriculture. Furnivall argued that agriculture in Lower Burma was industrial, in that there was a thorough division of labor, which he saw as a fundamental characteristic of industry. Here he discussed the increasing specialization of economic function by peoples of different cultures that is characteristic of plural societies.

The "preparation of land," consisting primarily of "repairing the ridges of earth between adjacent fields," was performed mainly by immigrant, unskilled laborers from India between January and May. The supply of Indian labor was organized by "labour master[s]" in India through "contracts ... booked in advance." Burmans were discouraged by this organized competition and by the low wages paid for such work. Burmans were "engaged [in] threshing the last year's crop" in January, and by April "they [were] re-engaged as ploughmen." Plowing required the most skill, and was performed mainly by Burmans. Transplanting the seedlings was organized as two separate activities (pulling the seedling out of the nurseries and replanting them in the fields). It was performed primarily by casual Burman labor, with replanting "often carried out by women."[21] Further, reaping and threshing were organized as two separate activities, with the Indian reaping and the Burman threshing.

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[21]Furnivall, "Industrial Agriculture," p. 95.

The evidence Furnivall provides for his argument in this monograph is supported by the earlier observations of another I.C.S. officer: "The most noticeable feature of the system is that no labourer performs all the operations of agriculture; each engagement is a separate transaction, the employer naturally seeking for the cheapest labourer and the labourer for the employer who will offer the most. Thus it often happens that a man will not find employment in more than two of the annual operations, ploughing being one and threshing the other, while even for these his engagements are often on different estates."[22] There was a thorough division of labor: supervising, preparing the land, plowing, transplanting in two separate activities, reaping, threshing, and also cattle-herding and money-lending. Each task was performed by different persons, often of different cultural origin. It was the division of society by economic function, an aspect of the plural society clearly seen by Furnivall by the end of this first part of his career.

Minor Work

The use of the term "minor work" is appropriate only to contrast this work with that which has just been discussed. These items (all of the items in the bibliography for the period 1902-1923 that have not been mentioned) clearly constitute the bulk of his writings in this period. But the purpose of this chapter is to trace the development of Furnivall's thought as it led directly to the theory of plural economy. Many of these items contain statements reflecting Furnivall's developing intellectual orientation, but these items were

[22]Furnivall, "Industrial Agriculture," p. 96, quoting R.E.V. Arbuthnot.

primarily written to present some aspect of Burmese history or culture. The titles, for the most part, clearly indicate the content of the items. Taken as a whole, they indicate the wide range of Furnivall's interest in and knowledge of Burma.

II. FURNIVALL: 1924-1931

After retiring from the I.C.S., Furnivall visited England and then returned to Burma in 1924. His return, not the norm for former I.C.S. officers, may be partly explained by his marriage to a Burmese woman. (His wife, Margaret Ma Nyun Toungoo, died in 1940. They had two daughters, Catherine Lucy Eager, who died in 1934, and Marjorie Sydenham Ady.)[23] However, he certainly had other reasons for returning to Burma, for it is clear from his published writing and his activities after his retirement that his interest in Burma, and in particular his concern for the welfare of Burma, was undiminished. The second period of his career begins with his return to Burma and ends with the publication of Political Economy of Burma.

In 1924 Furnivall founded the Burma Book Club, Ltd. and World of Books magazine, and in 1928 was a founding member of the Burma Education Extension Association. Further evidence of his strong interest in education is provided by his service as (occasional) Lecturer at University College and Judson College (both colleges would later be incorporated into the University of Rangoon.) Furnivall continued to write about the

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[23]This is virtually all the information I have been able to find about Furnivall's family. Trager reports [see his Bibliography of Works of J.S. Furnivall, p. 2, and his "Appreciation" in The Governance of Modern Burma (see n. 52, p. 172), pp. vi and vii] that Furnivall left Burma in the spring of 1960 to visit his daughter, Mrs. Marjorie Ady, and grandchildren in Cambridge, England.

history, culture, and economy of Burma. His most important published work of this period was Political Economy of Burma. This and two other items ("As It Was in the Beginning"[24] and "The Early Revenue History of Tenasserim: Land Revenue"[25]) will be discussed individually. Minor works of this period are listed in the bibliography and the appendix to this dissertation. The content of these items is indicated by their titles; they will not be discussed.

"The Beginning" and "Early Revenue History" reflect Furnivall's interest in the evolution of the British administration in Burma. This interest would culminate in 1939 with the publication of The Fashioning of Leviathan: The Beginnings of British Rule in Burma.[26] The ideas expressed in these works became important themes of Colonial Policy and Practice. Moreover, these works give some indication of the content of two official publications that Furnivall edited during the first period of his career.[27]

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[24]J.S. Furnivall, "As It Was in the Beginning," Journal of the Burma Research Society 18 (1928): 51-61. Hereafter referred to as "The Beginning."

[25]J.S. Furnivall, "The Early Revenue History of Tenasserim: Land Revenue," Journal of the Research Society 19 (1929): 83-93. Hereafter referred to as "Early Revenue History."

[26]J.S. Furnivall, The Fashioning of Leviathan: The Beginnings of British Rule in Burma (Rangoon: Zabu Meitswe Pitaka Press, 1939). Reprinted from the Journal of the Burma Research Society 29 (1939): 1-137. Hereafter cited as Leviathan. All references are to this reprint.

[27]These items are Correspondence for the Years 1825-1826 to 1842-1843 in the Office of the Commissioner, Tenasserim Division (Rangoon: Government Printing, 1929), and Selected Correspondence of Letters Issued From and Received in the Office of the Commissioner, Tenasserim Division, for the Years 1824-1825 to 1842-1843 (Rangoon: Government Printing, 1929). Hereafter referred to as Correspondence and Selected Correspondence, these items were originally published in 1915-16. I have not been able to locate these items in the United States at this time, and therefore I have not been able to examine them directly.

"The Beginning" and "Early Revenue History" (and The Fashioning of Leviathan, a much longer work that will be discussed later) were based entirely on records Furnivall found in Tenasserim and published as Correspondence and Selected Correspondence. These records were the official correspondence between Mr. A.D. Maingy and Mr. Blundell (no other identification given), officers of the East India Company and Commissioners of Tenasserim, and their superior officers in the Government of India.

Mr. Maingy had a formidable task: to establish a civil government in Tenasserim. Government requires revenue. Revenue is enhanced by commerce. Roads were needed to expand commerce in Tenasserim, but roads require labor. At first, if roads and other public works were to be built, they had to be built with compulsory labor. Maingy was "obliged ... to compel each individual to work for Government for about six months in the year."[28] (Six months may not be accurate, at least for the whole of Tenasserim. In "Early Revenue History" Furnivall reports the obligation to work for the government as two months out of the year.[29]) The burden was so great that a "serious scarcity in one district was attributed in part to the interference with cultivation by the constant employment of cultivators on public works."[30] Maingy thought it would be better to employ convicts on the roads. But, since there were no convicts in Tenasserim, he had to import them from India. This worked to the detriment of Burma in two ways. First, it ended attempts to organize local labor. Second, the convicts had to build jails to house

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[28]Furnivall, "The Beginning," p. 54.

[29]Furnivall, "Early Revenue History," p. 86.

[30]Furnivall, "The Beginning," p. 55.

themselves, so they had less time to devote to building roads. Ten years after Maingy retired (around 1843), there were still no roads (nor canals or tanks or other public works) in the interior.

While this example illustrates how unintended consequences may result from actions taken to address immediate needs, the primary theme of "The Beginning" was how the civil government established in Burma was "brought into conformity with the regular machinery of Indian administration."[31] Furnivall articulated this theme more thoroughly in The Fashioning of Leviathan. Indeed, the idea of an impersonal machinery of western administration superimposed on Burmese society would play an important part in his articulation of the disintegration of indigenous society and the disconnection between economic progress and social welfare. This article, then, is his first articulation of this idea.

Furnivall illustrates the subordination of the Burmese government to the Indian government with an example that, while humorous, nevertheless makes his point. Excise taxes from liquor shops were an important source of revenue in Maingy's time. One object of Maingy's government was to keep soldiers out of the liquor shops. A guard of Indian sepoys was assigned to the shops, which "they were not allowed to enter except in pursuit of an European soldier or a sepoy." But the Indian sepoys and the Chinese shopkeepers turned the situation to their mutual advantage: the sepoys cleaned the shops and the shopkeepers provided them with drink. This worked well "until one day, when the Sepoys ... had too much to drink, or not enough," a fight broke out between the

[31]Furnivall, "The Beginning," p. 52.

sepoys and shopkeepers. Maingy then wanted civil instead of military control of the shops. But this "required the sanction of the military authorities and the Government of India and for many years he could get nothing done." The Government of India finally agreed to the change, provided it led to a reduction in expenditure of Rs. 6 a month (a small sum, needless to say). Civil policemen were then assigned as guards. (The guard was abolished after "it occurred to [a later Commissioner] that the regimental officers might be made responsible for discipline among their men.")[32] This might be thought a minor incident--and, indeed, that is the point. From the beginning the Burmese administration submitted to the regulations of the Government of India on smaller as well as larger issues. It was a process of incorporation into what Furnivall would later call "Leviathan Indicus."[33]

But Leviathan must spend and therefore must have revenue. In an agricultural community the main source of revenue is naturally the produce of the land. Maingy tried to find out what the people had paid under Burmese rule. He never learned the total amount paid, but it appeared that in Tenasserim land revenue had included a levy of ten percent on all grain. His investigation into land revenue led to questions of land tenures. The features of land tenure in Lower Burma have already been discussed. Here it is sufficient to point out that, to Maingy, it appeared that Burmans had rights in land that they occupied, that land occupied was the private property of the occupant, that the occupant could alienate land that he occupied, but that formerly occupied land could be

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[32]Furnivall, "The Beginning," p. 56.

[33]Furnivall, Leviathan, p. 3.

taken up by anyone. "This tenure," says Furnivall, "finally achieved recognition as a 'landholder's right' and is now the tenure on which the bulk of the land in Lower Burma is held."[34]

Maingy first imposed an assessment on paddy land at ten percent, which was collected in kind. But this was not sufficient. At the same time, he wanted to end compulsory labor, intending to pay labor the market wage from an enhanced revenue. So he raised the assessment on paddy land to twenty percent and imposed an assessment of twenty-five percent on garden land. An additional five percent on paddy land went to headmen for collecting the revenue, thus bringing the total assessment to twenty-five percent of the gross produce. But by this time the revenue was paid in money, so that the revenue varied with the harvest and the fluctuation in the price of paddy. Moreover, assessment required that Maingy or his assistants visit each village annually. There was therefore a strong reason for making a "settlement" of the revenue.

A settlement in the "Indian system of Land Revenue ... is an arrangement by which the land revenue demand is fixed for a number of years." The settlement is thus a "contract between Government and the cultivator." If the settlement is with the individual cultivator, it is called "ryotwari." If the settlement is made with "some person or persons taken to represent the general body of cultivators within the village or estate," it is called "zamindari." Though Maingy wanted eventually to effect a ryotwari settlement, settlement in Burma did not fit the pattern established in India. In Burma, "instead of

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[34]Furnivall, "Early Revenue History," p. 85. A landholder right was recognized when a cultivator occupied and paid revenue on land for twelve years.

settling the revenue with individuals, [Government] settles the rates of revenue on land."[35]

Maingy had introduced a settlement along the lines of the zamindari system (or, in his own words, "what is called a village system"). He "personally visited every village," and gathered information on the output of the land from individual villagers and village headmen. After reaching an agreement with the villagers on a "general average of the produce and a commutation price,"[36] he fixed the settlement at twenty percent of the gross output, with an additional five percent for the village headman for collecting and delivering the revenue. It is not clear from this account how the revenue burden was shared by the villagers, but the agreement was between the government and the village, not between the government and individual cultivators.

Maingy, however, wanted a ryotwari settlement. His proposal to introduce a ryotwari settlement was approved by the Government of India. The new system worked much the same as before. The revenue assessment was fixed "in concert with the inhabitants of each village and its headmen," and then divided by the villagers amongst themselves. Then a list was prepared of the obligations agreed upon by the individual villagers. This list was given to the Commissioner, and a copy of the list was posted in the village. The difference is that in the newer system "each cultivator was individually responsible for his own assessment."[37] Further, it was the land that was assessed. The cultivator was

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[35]Furnivall, "Early Revenue History," p. 87. The land revenue demand was the amount of revenue that the government wanted to collect (thus demanded) from the land.

[36]Furnivall, "Early Revenue History," p. 89.

[37]Furnivall, "Early Revenue History," pp. 90-91.

obligated to pay the assessment because he held the land. These features of the land revenue system of Burma were established in Tenasserim in these early years and remained a characteristic of the land revenue system for the duration of British rule.

The second period of Furnivall's career ends with the publication of Political Economy of Burma in 1931. In his introduction to the second edition, James Russell Andrus says that the book originated in a series of lectures Furnivall gave to students at University College and Judson College in Rangoon.[38] Trager reports that it was used as an introductory text in economics for many years in Burma.[39] It was Furnivall's first major work, the result of nearly thirty years of experience and scholarship.

In Political Economy of Burma Furnivall first introduces the reader to a few basic economic concepts, reports on the materials available for the study of the Burmese economy, and identifies the central problem in the development of the Burmese economy--"There has been progress in Burma but the Burman has been left behind."[40] Next he discusses the principal crops in Burma and the principal methods of cultivation, then the rural economy of Burma under Burmese rule. (The examination of the pre-colonial economy of Burma in chapter 4 drew heavily from this discussion.)

Furnivall then discusses the development of the Burmese economy from the middle of the nineteenth century. His discussion provides a contrast between the traditional Burmese economy and the economy of British Burma in the nineteen-twenties. "The

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[38]J.R. Andrus, "Introduction" to Political Economy of Burma, by J.S. Furnivall, p. iii.

[39]Trager, Bibliography of Works of J.S. Furnivall, p. 18.

[40]Furnivall, Political Economy of Burma, p. 8.

change has been caused by the economic impact of western civilization upon Burma ...."[41] Contact with the west meant incorporation into a world economy through British administration. It meant the opportunity to participate in economic activities organized by world-wide markets. It meant that economic activities in Burma became increasingly oriented to markets. It meant exposure to markets, the reorganization of Burmese economic life, and the possibility that Burma would not benefit from the change.

Before Burma became part of a wider economy, "there was no certain market for any surplus produce." Cultivators provided for the needs of their families and little more. Labor could be supplied by the cultivator's family or in cooperation with other cultivators in the village. Land, in Lower Burma, was nearly a free good. Traditional technology meant uncomplicated and easily supplied real capital. There was almost no demand for financial capital; there was little use of money. Furnivall calls this, the more traditional system in Burma, "domestic agriculture."[42]

When the Suez Canal was opened in 1869, Burmans gained greater access to markets for the produce of their land and labor. Lower Burma was rapidly occupied and production was increasingly organized for sale on international markets. Cultivators could sell their produce; they could make more money if they cultivated more land. There thus developed a market for money to bring more land under cultivation. Cultivating more land meant a need for more labor, and thus a market developed for wage labor from

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[41]Furnivall, Political Economy of Burma, p. 50.

[42]Furnivall, Political Economy of Burma, pp. 50-51.

outside the village. And so domestic agriculture was replaced by "commercial agriculture."[43]

While what Furnivall called commercial agriculture was the dominant form of organization in Upper Burma, in Lower Burma market orientation took the more extreme form that Furnivall called "industrial agriculture," which has already been examined. Here it is only necessary to point out the conditions that allowed the development of industrial agriculture in Lower Burma: (a) the possibility of specializing in a single crop in an area with little variation in weather conditions, (b) the availability of migrant labor from Upper Burma and India, and (c) the development of a financial network making money readily available (organized by Chettyars from India).

Furnivall also discusses his theory of the organization of demand, and presents one of his earliest discussions of the disintegration of social demand in Burma. He says that the "usual instruments for the organization of demand are the family, the village, the city and the state."[44] All, under Burmese rule, were Burmese institutions that made Burmese social life an organic whole. These institutions, in their economic aspects, organized economic activities in ways that provided a uniquely Burmese social life. New institutions, most notably the British administration itself, replaced or weakened Burmese institutions. Moreover, the increasing market orientation of economic activities further weakened Burmese institutions. The result was that the Burmese economy could not provide a social life that the Burmese wanted.

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[43]Furnivall, Political Economy of Burma, pp. 51-52.

[44]Furnivall, Political Economy of Burma, p. 224.

The rest of Political Economy of Burma presents a detailed examination of the conditions of ownership and occupancy of land and the conditions of labor in Upper and Lower Burma. Furnivall also presents a detailed examination of agricultural debt and the land revenue system of the British administration, and discusses the development of trade and industry.

Furnivall's discussion of the development of the Burmese economy is generally more detailed in Political Economy of Burma than in Colonial Policy and Practice, as is to be expected in two works written for such different purposes. Much of the material presented in Political Economy of Burma was used in the examination of the Burmese economy in chapter 4.

III. FURNIVALL: 1932-1939

The third period of Furnivall's career begins in 1932, after his return to England in 1931. The next seven years of his career is distinguished by his work on Netherlands India, which culminated in the publication of Netherlands India: A Study of Plural Economy in 1939.

While the primary focus of his attention in this period was Netherlands India, Furnivall continued to write about Burma. His most important contribution to the study of Burma in this period was The Fashioning of Leviathan. An important theme of this work was mentioned in the previous section: how the British administration in Burma

was made to conform to the mechanisms of the government of British India.[45] Another important theme is the consequences of the introduction into Burma of a western administration based on the rule of law.

Characteristic of Furnivall's analysis is his attention to apparent paradoxes in the process of social change in Burma. For example, the first Commissioner of Tenasserim, Maingy, tried to make village headmen officers of police, "ranked in three grades on a fixed scale of pay corresponding to various degrees in the importance of their duties and position." While this measure was never thoroughly or effectively introduced into Tenasserim, it does illustrate how western administration disrupts the organization of traditional social life. Social life under Burmese rule meant, primarily, village life. The village headman played an important part in the organization of village life (see chapter 4 for the role of the village headman in traditional Burmese society). But the duties and jurisdiction of the village headmen were changed under British rule. New mechanisms for the control of society weaken older mechanisms. Public opinion becomes a less effective deterrent of breaches of law and custom. "Thus, the first measure for improving the apprehension of offenders was at the same time a cause of the multiplication of offenses."[46] When the rule of law weakens the foundations of a society, the rule of law breeds crime.

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[45]It should be kept in mind that Burma was administered as a province of British India until 1937.

[46]Furnivall, Leviathan, pp. 45-46.

The Fashioning of Leviathan is a longer, more detailed examination of the early years of British administration in Burma than that found in "The Beginning" or "Early Revenue History." The themes that Furnivall articulates in all three of these items were later incorporated into the analysis presented in Colonial Policy and Practice and were discussed more fully in the examination of the theory of plural economy in chapter 3.

More important in this period, however, was his work on Netherlands India. Furnivall evidently learned Dutch to study the colonial experience in Netherlands India, and traveled to The Netherlands and Netherlands India during 1933-35. As a serious and distinguished student of colonial affairs, Furnivall was aided in his study by scholars and officials in both The Netherlands and Java. In particular, at Leiden University in The Netherlands, he was able to study the writings of colonial officials, both European and Asian, on economic and social life in Netherlands India, and he became personally acquainted with Dr. Julius H. Boeke, one of The Netherlands' great scholars on the Dutch colonial experience and author of the theory of dual economy.

Furnivall first presented his ideas of plural society and plural economy in Netherlands India. With these ideas, Furnivall began to formulate the general theory of colonial economic and social development that would be more completely articulated in Colonial Policy and Practice. It is significant that this theory emerged after his study of the Dutch colonial experience in Netherlands India, a study that included examination of the work of Dutch scholars, such as Boeke. who had themselves attempted to provide more general interpretations of that experience.

It will be useful to contrast Boeke's theory of dual economy with Furnivall's theory of plural economy.[47] For the purposes of this thesis, it is not necessary to provide a thorough examination of Boeke's theory. However, the issues with which Boeke dealt are issues that were of great importance to Furnivall. The differences in their interpretations will therefore provide some insight into how Furnivall's theory of plural economy developed.

Two ideas from Boeke's theory of dual economy are important here. One is that the process of economic development under colonial rule creates a situation in which two economies exist side by side in the same country. One economy is modern, run primarily by Europeans. The other economy is the traditional economy, which is organized primarily according to the rules of indigenous life. These two economies give rise to the term "dual economy." The other important idea is that western economic theory is not applicable in dual economies because the indigenous peoples are not sufficiently activated by the economic motive. Boeke says that western economic theory is applicable only in the modern sector of the dual economy. Another theory is needed for the traditional sector, and yet another theory may be needed to explain the interactions between the modern and traditional sectors. Thus the idea of a dichotomy between modern and traditional sectors of an economy, and the idea of the weakness of the economic motive, are crucial elements of Boeke's theory of dual economy.

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[47]Boeke's ideas may be found in J.H. Boeke, Economics and Economic Policy of Dual Societies (New York: International Secretariat of the Institute of Pacific Relations, 1953). Also see articles by Boeke and others in Indonesian Economics: The Concept of Dualism in Theory and Policy, edited by W.F. Wertheim, et al. (The Hague: W. van Hoeve Publishers Ltd., 1961).

Furnivall sought to explain the same experience that Boeke tried to explain: that rule by western powers brought economic progress without improving social welfare. Furnivall's theory of plural economy is more powerful: it explains more of the facts of the colonial experience. Instead of the dichotomy between modern and traditional sectors in the economy, Furnivall's theory focusses on the plural nature of colonial society. To Furnivall, it is important that peoples of different cultures live side by side, interacting only in economic matters. Economic functions become specific to the various elements in the plural society, and no element is able to pursue the full range of economic life. The various elements do not form a society that can express a common social will. Lack of a common social will means that economic forces cannot be controlled for the benefit of society, and that social demand is too weak to organize those activities that provide social welfare. Thus the fundamental problem in the plural society is the organization of social demand.

Furnivall differs with Boeke on the place of the economic motive in colonial societies. Boeke thought that the economic motive was weak or absent in indigenous peoples, except for those participating in the modern sector of the economy. But Furnivall's experience was in Burma, where the land of Lower Burma was rapidly settled and converted to rice production in response to the desire for economic gain.[48] The economic motive is present in plural societies: the problem is that the economic motive

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[48]I do not suggest that Boeke overlooked facts in formulating his theory of dual economy. Boeke's theory may fit the facts of Netherlands India; Furnivall's theory of plural economy fits the facts of Netherlands India and other areas as well. It should be noted that Furnivall speaks of Boeke with respect. He does not criticize Boeke's theory; he simply points out where they differ and presents his own ideas.

is all that is shared by the constituent elements, so that the economic motive is not restrained by a common social will.

Furnivall's concept of the economic motive is more consistent with institutionalist thought. A solely economic motive does not exist. One can say that there are economic aspects, or elements, of motives. Better, one can say that there are economic aspects of behavior, or that there are economic aspects of the institutions that organize behavior. How economic motives are manifest depends on the social context within which they work. Rather than saying that economic motives are absent in traditional societies, Boeke could have said that economic motives are manifest differently in traditional societies than in societies with modern, market-oriented economies. Furnivall, in contrast, looks to the organization of the plural society to understand the ways in which economic motives are manifest and the consequences of their manifestation. It is the nature of the plural society, rather the absence of economic motives, that makes western economic theory inapplicable.

The contrast between Boeke's theory of dual economy and Furnivall's theory of plural economy provides clues to the development of Furnivall's thought. To arrive at the theory of plural economy, Furnivall had to focus on the peculiar organization of colonial societies and the role of the economic motive in those societies. He could then discuss the applicability of western economic theory in colonial societies and offer his theory of plural economy as a supplement to western economic theory. Netherlands India, however, provides only a brief introduction to plural economy. Most of the ideas of plural economy are presented, but Furnivall does not articulate these ideas as fully as

in Colonial Policy and Practice. Nor does he show how these ideas can be used to trace the course of colonial development. Nevertheless, Netherlands India brings the third period of Furnivall's career to a close. After this, Furnivall had the experience, the knowledge, and the ideas to write Colonial Policy and Practice, the major work of his career.

Before turning to the next period of Furnivall's career, something may be said about his other writings on Netherlands India during the period 1932-39. The content of these items is clear from their titles. They are important in that they show the extent of his scholarship, and they form the immediate background for Netherlands India. Much of this material was incorporated into Netherlands India, which was used extensively in the examination of the political economy of Netherlands India in chapter 5.

IV. FURNIVALL: 1940-1948

The next period of Furnivall's career began in 1940 and ended in 1948 with the publication of Colonial Policy and Practice and the independence of Burma. After the Japanese invasion of Burma in 1942, Furnivall was asked by the Government of Burma (then in residence in Simla, India) to provide his views on British colonial policies. The memorandum that he provided the Government of Burma led, along with other work in this period, to the writing of Colonial Policy and Practice.

Furnivall's work for the Government of Burma was published as Memorandum on Reconstruction Problems in Burma.[49] The other item leading to Colonial Policy and Practice was Progress and Welfare in Southeast Asia: A Comparison of Colonial Policy and Practice.[50] This is a comparative examination of the colonial experience, including the British in Burma, the Dutch in Netherlands India, the French in Indochina, and the Americans in the Philippines. In spite of the title, the connection--or lack thereof--between economic progress and social welfare is not fully articulated in this work.

Furnivall's thought reached its fullest development in this period. The earlier periods of his career provided the preparation needed for a complete articulation of his theory of plural economy. Thus it was only after these earlier periods--especially the 1930's, when he studied Dutch colonialism and wrote Netherlands India--that Furnivall was prepared to write Colonial Policy and Practice.

Since the theory of plural economy has been discussed at length in chapter 3, the present discussion will focus on the ideas that were essential for this theory to emerge in its most complete form. For that purpose, we need to recall the essential elements of plural economy: domination, liberation, disintegration, pluralization, disconnection, misdirection, and stagnation. Domination is simply administration by a colonial power.

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[49]Trager (Bibliography of Works of J.S. Furnivall, p. 25) reports that this item was published in New York by the Institute of Pacific Relations as a mimeographed "Confidential." He gives no date of publication, but includes it with work written in 1943. This memorandum is not listed in the holdings of the Library of Congress and thus I have not been able to examine it.

[50]J.S. Furnivall, Progress and Welfare in Southeast Asia: A Comparison of Colonial Policy and Practice (New York: Secretariat, Institute of Pacific Relations, 1941).

It is the most obvious characteristic of the colonial situation (indeed, it is what formal colonialism is), and was undoubtedly noticed by Furnivall before he even began to think of a career in the colonial service. Furnivall began to notice some of the consequences of colonial rule early in his career in Burma. Indeed, Furnivall's first published articles recognized the liberation of economic forces and the disintegration of indigenous society. These ideas would form important elements of Furnivall's thought for the rest of his life. Pluralization is a term Furnivall began to use after his study of Netherlands India. Furnivall undoubtedly noticed the plural character of Burmese society early in his career, but the fact that he began to use the term "plural society" in Netherlands India indicates that it emerged in reaction to Boeke's theory of dual economy.[51] That the efforts of colonial administrators did not lead to sustained economic development, and that the welfare of indigenous peoples had not improved in spite of decades of colonial rule, are essential elements in the ideas of misdirection and stagnation. Once stated, they are the most obvious results of the colonial experience, and as such they provide a focal point for all students of colonialism. It is thus the idea of disconnection that allows Furnivall to offer his most fully developed theory of plural economy.

It must be kept in mind, however, that the theory of plural economy consists of a set of integrated ideas that provide a theory of economic and social change in the plural society. That is, the elements of the theory of plural economy work together, forming a whole that is the theory of plural economy itself. Disconnection, then, is not in itself a

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[51]See the account of Furnivall's career during 1931-1939 for more contrast between his and Boeke's ideas.

more important idea than the other ideas that form the elements of plural economy. But it is the key element in the development of the theory of plural economy.

It is Furnivall's approach to the problem of economic progress and social welfare that sets his theory of plural economy apart from other theories of economic and social change in a colonial context. To Furnivall, social welfare is a cultural phenomenon. A society defines for itself what its social welfare is through the processes of cultural development. Social welfare is therefore unique to each society. Societies that have faced similar historical conditions may have similar views of social welfare. Societies that have faced different historical conditions, however, are not only organized differently but also have different ideas about social welfare. Different ideas about social welfare include different ideas about the proper ends of economic activities and the different means to achieve those ends. Welfare in a particular society is enhanced by providing a particular way of life. More output (economic progress) does not enhance social welfare unless it provides what people want in the way that they want it. To enhance social welfare, economic activities must be organized to provide a particular way of life.

The problem of the plural society is that peoples of different cultures live side by side without forming common ideas about social welfare. Policies formulated and implemented by colonial governments to enhance social welfare derive from colonial administrators' ideas about social welfare, ideas not shared by indigenous peoples or other foreign groups. In these circumstances efforts by colonial administrators to enhance social welfare may be frustrated. Or their efforts to enhance social welfare may further economic progress without enhancing welfare. This is the essence of Furnivall's idea of

misdirection. When economic progress does not lead to social welfare, economic progress itself is endangered. This is the essence of Furnivall's idea of stagnation. Thus, economic development in every society requires that a connection be formed between economic progress and social welfare.

It is necessary for people to want those things that provide social welfare. The task of the colonial administrator is to help organize demand for those things that people must want in the modern world. But the task is difficult because no common ideas of social welfare exist in the plural society. Moreover, social disintegration, brought about by domination and the liberation of economic forces, leads to declining social welfare because of the elimination or weakening of institutions that organize activities that provide for social welfare.

It can be seen, then, that disconnection is an idea that makes clearer the meaning and consequences of the other elements of plural economy and thus allows a more thorough and complete articulation of the theory of plural economy.

Colonial Policy and Practice is the most important work of Furnivall's career. His other writing in this period is of secondary importance. He continued to publish his views on the past, the (then) present, and the future of Burma. All bear the unmistakable character of his thought. Much of his published writing of this period is devoted to the course of future developments in Burma. Undoubtedly he tried to influence British policy on Burma, but his recommendations were disregarded or made irrelevant by the course of events. The other writing of this period is therefore not important in tracing the main developments of Furnivall's thought, and will therefore not be examined in this thesis.

V. FURNIVALL: 1949-1960

Furnivall remained active in this last period of his career, as is demonstrated by the bibliography of his written work. But the theory of plural economy received no further development in the last period of Furnivall's career. But his interest in the welfare of Burma was undiminished. He continued to write on the social, economic, and political problems facing Burma. The focus of his attention was the formation of an effective government in an independent Burma. His most important work of this period, The Governance of Modern Burma,[52] is primarily a description of the machinery of government that was created after independence, but it is marked by Furnivall's unmistakable point of view.

To Furnivall, the most important tasks of the government of independent Burma were to "create unity in a disintegrated social order and fit the people for social and economic life in the modern world ...."[53] It was important for the Burmese to form a government that would fulfill these functions. It was also important to understand that the functions of government in a newly independent Burma were different from the functions of government in the homogeneous societies of the west. For example, the function of local government in the west is to give the people what they want. In Burma, the function of

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[52]J.S. Furnivall, The Governance of Modern Burma, Second edition (enlarged), with "An Appreciation" by Frank Trager and a supplement on the Ne Win administration by John Seabury Thompson (New York: International Secretariat, Institute of Pacific Relations, 1960).

[53]Furnivall, The Governance of Modern Burma, p. xi.

local government is to make the people want what they need. These ideas have become familiar in this examination of the development of Furnivall's thought.

Furnivall uses these ideas to examine how the institutions of government were built up after independence, and how they were breaking down by 1958. Independence alone could not guarantee the formation of a unified nation that could control economic forces in the interest of social welfare. The task of economic reconstruction itself was formidable: the productive capacity of Burma had fallen by two-thirds during the war. The task of providing for social welfare was even more formidable, for measures that provide for social welfare do not show results immediately. Furnivall thought that the leaders of Burma in the early years of independence had performed as well as could be expected under the circumstances. But the circumstances led rival groups to blame each other for the shortcomings of the government. This led to political crisis, which was unresolved when The Governance of Modern Burma was published in 1958.

CHAPTER VII

PLURAL ECONOMY AND THE NATURE AND CONSEQUENCES OF COLONIAL RULE

The purpose of this chapter is to put Furnivall's theory of plural economy in perspective by examining the ideas of writers who have dealt with many of the same issues that engaged Furnivall's attention. This chapter will focus on those writers who tried to explain the nature and consequences of modern colonialism--the colonialism that existed from the last quarter of the nineteenth century.[1] It will examine the works of such major writers as J.A. Hobson and V.I. Lenin. Also examined will be the contributions of Leonard Woolf, a contemporary of Furnivall, who served in the Ceylon Civil Service from 1904 to 1911, and who published three works on imperialism during the interwar period. The ideas of Hobson and Lenin have been a major influence on scholarly and popular thinking on the nature and consequences of imperialism. Further, their work exhibits a critical attitude adopted by future writers. Woolf's writing is representative of the works of critics of imperialism of the interwar years. Then, the contributions of Frederick D. Lugard (Lord Lugard) to the literature of imperialism will be examined. Lugard's perspective was heavily influenced by his experience as a colonial administrator, particularly his experience as the architect of indirect rule in Northern Nigeria. Lugard's ideas on indirect rule make his contributions especially relevant in the present discussion. Also, his work articulates a more positive view of the aims and

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[1]The terms "colonialism" and "imperialism" are used interchangeably in this chapter. Though some writers draw distinctions between these terms, these distinctions are not relevant in the present context. See D.K. Fieldhouse, Colonialism 1870-1945: An Introduction (New York: St. Martin's Press, 1981).

practices of British imperialism than Hobson's, Lenin's, or Woolf's. Finally, the works of more recent contributors--Lewis H. Gann and Peter Duignan--will be examined. Their work represents a contemporary reevaluation of the colonial experience that emphasizes the economic progress achieved in the colonial era. It is their emphasis on economic progress that makes their work particularly relevant here.[2] It should be kept in mind that the purpose of this chapter is not to analyze in depth the contributions of these writers; rather, it is to put Furnivall's thought in perspective by examining the thought of writers who addressed similar issues.[3]

I. JOHN A. HOBSON

J.A. Hobson's Imperialism: A Study, a major contribution to the literature on imperialism, was published in 1902, not long after his return from reporting on the Boer War in South Africa.[4] It influenced, either directly or indirectly, many of the later

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[2]It should be pointed out that the works of Woolf, Lugard, and Gann and Duignan refer primarily to the colonial experience in Africa. This is no obstacle to the present discussion. Only the more general ideas of these writers will be discussed, though these ideas may be supported by specific examples drawn from the African experience. Furthermore, examining the works of these authors will indicate that Furnivall's theory of plural economy is relevant beyond the Asian context.

[3]The contributions of J.H. Boeke, whose theory of dual economy is most similar to Furnivall's theory of plural economy, are not included in this chapter. While Boeke's ideas were important and influential in his time, his ideas can no longer be thought to represent a major line in the development of the literature on imperialism. Therefore, Boeke's ideas have been compared to Furnivall's ideas in chapter 6, which examined the development of Furnivall's thought.

[4]J.A. Hobson, Imperialism: A Study (Ann Arbor, Mich.: The University of Michigan Press, 1967 [c1902]). Hereafter referred to as Imperialism. For a cogent criticism of Hobson's theory of imperialism see D.K. Fieldhouse, "'Imperialism': An Historiographical Review," The Economic History Review 14 (1961): 187-209, hereafter referred to as

writers on the subject. Hobson's analysis influenced important Marxist writers, particularly Lenin; and by establishing a definition of imperialism that emphasized the importance of economic motives in its causes and consequences, he influenced the direction and tone of non-Marxist writers as well.

The central idea of Hobson's analysis of imperialism is that European powers in the last part of the nineteenth century took control of new territories in Africa and Asia to provide secure areas for new investment opportunities. This idea is closely associated with the theory of underconsumption and oversaving that Hobson articulated earlier in his career.[5] Thus, Hobson established a link between imperialism and the working of the modern capitalist system.

To Hobson, one of the major defects of the capitalist system of his time was that too much income was distributed to the wealthier classes (the capitalist classes in particular), who chose to save rather than consume. This oversaving on the part of capitalists led to a state of underconsumption that prevented the attainment of full-employment. Moreover, if the capitalist classes invested their savings in the domestic market, the result would be a fall in interest rates. Thus the modern capitalist system tended toward stagnation. One remedy for this situation was to distribute more income to those classes (the working

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"Imperialism." The following exposition of Hobson's ideas draws heavily upon this article.

[5]See, for example, J.A. Hobson, The Evolution of Modern Capitalism: A Study of Machine Production (London and New York: Walter Scott, Ltd., and Charles Scribner's Sons, 1894), and also J.A. Hobson and A.F. Mummery, The Physiology of Industry: Being an Exposure of Certain Fallacies in Existing Theories of Economics (New York: Augustus M. Kelly, 1971 [c1889]).

classes) who were more likely to spend additional income and thereby move the economy toward full-production and full-employment. This remedy thus required extensive social reform--in effect, the reform of the capitalist system itself. Another remedy was to invest the excess savings (surplus capital) in foreign markets where capital was scarce and interest rates were high--the undeveloped areas of the world. This remedy avoided domestic social reform and maintained interest rates in domestic markets. Hobson maintained that this was the course followed by the major European powers in the last part of the nineteenth century.

The pressure to export domestic surplus capital led to policies that secured new areas for new investments. Imperial expansion served the interests of investors--the holders of surplus capital. There were other imperial interests, but they were subservient to the financial interest. To Hobson, "the financial interest has those qualities of concentration and clear-sighted calculation which are needed to set Imperialism to work.... An ambitious statesman, a frontier soldier, an overzealous missionary, a pushing trader, may suggest or even initiate a step of imperial expansion, may assist in educating patriotic public opinion to the urgent need of some fresh advance, but the final determination rests with the financial power."[6] The financial interest therefore directed and governed the force of other imperial interests, resulting in the imperial expansion of the late nineteenth century that provided secure areas to invest surplus capital.

So far Hobson's theory is essentially an explanation of the causes of capitalist imperial expansion, and it is essentially an economic explanation. The organization of

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[6]Hobson, Imperialism, p. 59.

the modern capitalist economy leads to oversaving by the capitalist classes. The economic interest of the holders of surplus capital is to invest in undeveloped areas because a higher rate of interest is earned there and interest rates are maintained at higher levels at home. The economic interest of investors is paramount. Hobson maintains that the economic interest of traders is unimportant compared to the economic interest of investors. He points out that the areas subject to the imperial expansion of the late nineteenth century provided an insignificant part of the total trade of the imperial powers. The economic interest of the investor, however, demanded imperial expansion to provide an outlet for surplus capital. But Hobson's theory of imperialism does not end simply with imperial expansion, nor does the dominant role of the economic interest come to an end.

Integral to Hobson's theory of imperialism is the idea that imperial powers, by pursuing their own economic interests, exploit indigenous peoples brought under imperial control. Hobson makes clear that he believes imperialism ("interference with the government of a lower race") is justified only if three conditions are fulfilled. First, imperialism is justified only if it is necessary to "secure the safety and progress of the civilization of the world." That is, imperialism is justified only if it is beneficial to the world as a whole, not merely to a single social class or a single country. Second, imperialism must lead to the improved welfare of the peoples brought under imperial control. Third, imperialism must "proceed from some organized representation of civilized humanity."[7] That is, imperial authority must be vested in an institution that

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[7]Hobson, Imperialism, p. 232.

represents the interests of all imperial powers. Hobson thought that exploitation was the inevitable result of the failure to fulfill the third condition. This third condition is thus a key point in his analysis of imperial exploitation.

Hobson did not think that imperial powers, each pursuing their "individual" interests (however "enlightened" those interests), acted in a way to promote the general interests of the world as a whole, much less the interests of peoples subject to imperial rule. (This, of course, is a rejection of the idea of laissez-faire extended to the conduct of nations.) To Hobson, it was obvious that the interests of peoples brought under imperial rule were subordinate to the interests of the imperial powers. The interests of the imperial powers were too often dominated by the "direct material self-interest of some small class of traders, mine-owners, farmers, or investors who wish[ed] to dispose of the land and labour of the lower peoples for their private gain."[8] It was thus necessary to establish some international control of the authority of imperial powers. Hobson thought that imperial powers must be made responsible to some international agency to guarantee that world interests as well as the interests of peoples under imperial rule would be served.

Hobson did not specify how international control of imperial authority would be achieved. The important point, however, was that exploitation resulted from imperial powers acting in their own interests rather than the interests of peoples under imperial rule. This point became a common feature of later writings on imperialism.

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[8]Hobson, Imperialism, p. 281.

II. V.I. LENIN

Lenin's theory of imperialism is contained in his Imperialism: The Highest Stage of Capitalism, originally published in 1917.[9] Lenin's thought on imperialism was profoundly influenced by Hobson. Ideas common to Lenin and Hobson were that imperial expansion was driven by the desire to provide secure areas for the investment of surplus capital, that economic interests dominated other imperial interests, and that imperialism resulted in the exploitation of peoples brought under imperial rule. Lenin, however, approached these ideas from a Marxist perspective, and this fact made his contribution to the literature on imperialism more influential than Hobson's. Indeed, "it is clear that it was Lenin ... rather than Hobson ... who gave 'imperialism' its dogmatic coherence and much of its eventual influence."[10]

In Lenin's analysis, capital is generated by the exploitation of the working classes through the appropriation of surplus value, and accrues to the capitalist classes in the form of profits. In the later stages of capitalism, the accumulation and concentration of capital lead to monopoly conditions. Eventually the stage of finance capitalism is reached, when capital is primarily controlled by banks and trusts. Capitalism is further characterized by the uneven development of individual firms, industries, and, most importantly in this context, of individual countries. In a "few rich countries ... the accumulation of capital

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[9]V.I. Lenin, Imperialism: The Highest Stage of Capitalism (New York: International Publishers, 1939 [c1917]). Hereafter referred to as Imperialism.

[10]Fieldhouse, "Imperialism," p. 192.

reaches gigantic proportions." This "superabundance of capital" allows the most advanced countries to "occupy a monopolist position" in the world economy.[11]

Capital becomes surplus when additional domestic investment would lead to an increase in production that, in turn, would lead to lower prices and higher wages, and thus to lower profits. If capitalism led to the balanced development of all lines of industry and to an improvement in the standard of living of the masses, there would be no superabundant or surplus capital. But, in contrast to Hobson, Lenin held that capitalism was incapable of reform along these lines, for "if capitalism did these things it would not be capitalism." To Lenin, as "long as capitalism remains what it is, surplus capital will never be utilized for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalist." Instead, "it will be used for the purpose of increasing those profits by exporting capital abroad to the backward countries."[12]

Thus capital is exported because it is more profitable to export capital than to invest in domestic markets. In "backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, [and] raw materials are cheap."[13] Investment in undeveloped areas thus yields a higher rate of return without depressing domestic profits. Imperial expansion results from the efforts of imperial powers to provide secure areas for the investment of surplus capital. Lenin thought imperial

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[11]Lenin, Imperialism, p. 62.

[12]Lenin, Imperialism, p. 63.

[13]Lenin, Imperialism, p. 63.

expansion became more rapid after 1870 (a period that corresponds to the partition of Africa among European powers) as imperial powers scrambled to secure areas to invest surplus capital. Imperial expansion will continue until the whole world is divided among the imperial powers.

To Lenin, "capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to get profits." Thus the economic interest is paramount in imperial expansion. In fact, imperialism involves an "economic division of the world," a "struggle for economic territory." Capitalist countries engage in a struggle to divide the world, but it is fundamentally an "economic struggle."[14] Non-economic factors are secondary, capable only of creating variations on this theme. Thus, to Lenin, imperialism results inevitably from the operation of the capitalist system in its highest stage of development.

The effect of the export of capital is to "greatly accelerate the development of capitalism in those countries to which it has been exported." At the same time, the export of capital "may tend to a certain extent to arrest development in the capital exporting countries."[15] But the arrested development in the capital exporting countries affects only the lower stratum of the proletariat, whose standard of living cannot be improved in a capitalist system. The immense accumulation of capital leads to a class of rentiers who, together with the corrupted and opportunistic upper stratum of the proletariat, live "by exploiting the labour of several overseas countries and colonies." Capitalism thus leads

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[14]Lenin, Imperialism, p. 75. [Emphases added.]

[15]Lenin, Imperialism, p. 65.

to a condition Lenin calls "parasitism."[16] The extension of the capitalist system through imperial expansion means the extension of a system of parasitic exploitation. To Lenin, the capitalist system could not be reformed, it could only be overthrown. Imperialism will therefore end only with the end of capitalism.

III. LEONARD WOOLF

Leonard Woolf was born in 1880 in London, England. Like Furnivall, he attended Trinity College at Cambridge University. He began his studies at Trinity in 1899, the year Furnivall took his Tripos examination. In 1904 Woolf entered the Ceylon Civil Service. He returned to England on leave in 1911. He resigned his appointment in 1912, married Virginia Stephen, and began a career as a writer, editor, and publisher. In 1913 Woolf met Beatrice and Sidney Webb, the leaders of the Fabian Society. Sidney Webb later appointed Woolf to two advisory committees of the Labour Party on international and colonial affairs. His first work on imperialism, Empire and Commerce in Africa: A Study in Economic Imperialism, written in 1918, grew out of a project for the Fabian Society.[17] Woolf wrote two additional books on imperialism, Economic Imperialism in 1920[18] and Imperialism and Civilization in 1928.[19]

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[16]Lenin, Imperialism, p. 100.

[17]Leonard Woolf, Empire and Commerce in Africa; A Study in Economic Imperialism (New York: The Macmillan Company; London: The Labour Research Department and George Allen and Unwin, 1918). Hereafter referred to as Empire and Commerce.

[18]Leonard Woolf, Economic Imperialism (London: The Swarthmore Press, 1920).

[19]Leonard Woolf, Imperialism and Civilization (New York: Harcourt, Brace and Company, 1928.)

Woolf's views on imperialism had "wide appeal, not only among Socialist writers, but also among many conservative theoreticians of colonial trusteeship, and even among British administrators themselves."[20] His appeal extended to African students and the future leaders of independent African nations. Though Woolf made no important theoretical contributions to the literature on imperialism, he was an important critic of imperialism in the interwar years.

In Empire and Commerce Woolf begins his discussion of European imperialism by stating that imperialism arises from the "communal desires, beliefs, and actions" of the European nations.[21] A belief that achieved paramount importance in the late nineteenth century was that the "power of each state should be used in the world outside the State to promote the interests of its own citizens ... against the interests of citizens of other States."[22] But, to Woolf, the factor that distinguished modern imperialism from previous episodes of imperial expansion was the dominance of the economic motive. Woolf makes his point explicitly: "the nearer we get to 1914, the more single becomes the economic purpose in this movement [imperial expansion], and the more conscious of this economic motive become those who direct it."[23] At the same time that the interior of Africa

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[20]L.H. Gann and Peter Duignan, Burden of Empire: An Appraisal of Western Colonialism in Africa South of the Sahara (New York, Washington, and London: Frederick A. Praeger, 1967 for The Hoover Institution on War, Revolution and Peace, Stanford University, Stanford, California), p. 78. Hereafter referred to as Burden of Empire.

[21]Woolf, Empire and Commerce, p. 21.

[22]Woolf, Economic Imperialism, p. 29.

[23]Woolf, Empire and Commerce, p. 22.

became accessible, there was a rise in economic protectionism in Europe. For Woolf, access to new regions of the world, together with the beliefs and desires of European nations--to promote their own economic interests against the economic interests of other nations, which found expression in the rise of economic protectionism--account for economic imperialism. Imperial expansion was thus based on "fear of being shut out from the profitable markets of Europe ... and of being shut out from the stores of raw materials and food supplies essential for large scale industrial production."[24]

Woolf cites the statements of government officials as evidence of the economic motives behind imperial expansion and imperial control. He cites British, French, and German officials, but an examination of the statements of a few British officials is all that is needed at this point. For example, Joseph Chamberlain, as Colonial Secretary, stated that in taking control of African territories Britain was "pegging out claims for posterity."[25] Even more indicative of the economic motive of modern imperialism are Chamberlain's statements in a speech given at Birmingham, England, January 22, 1894: "I would never lose the hold which we now have over our great Indian dependency--by far the greatest and most valuable of all the customers we have or ever shall have in this country. For the same reasons I approve of the continued occupation of Egypt; and for the same reasons I have urged upon this Government [of Great Britain], and upon previous Governments, the necessity for using every legitimate opportunity to extend our influence and control in that great African continent which is now being opened up to

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[24]Woolf, Economic Imperialism, pp. 29-30.

[25]Woolf, Empire and Commerce, p. 25, quoting Mr. Chamberlain.

civilization and to commerce."[26] Woolf further cites Lord Lugard, whose ideas will be examined later. According to Lugard, it was "to find an outlet for our manufactures and our surplus energy, that our far-seeing statesmen and our commercial men advocate colonial expansion.... I do not believe that in these days our national policy is based on motives of philanthropy only."[27] To Woolf, these statements (and many more of this kind) express the reasons behind the imperial policies pursued by imperial powers between 1880 and 1914. Woolf thought that the "immediate impulse" behind the expansion of this time "came from financiers and capitalist joint-stock companies," and concluded that the "motive power ... behind modern imperialism is economic." There were non-economic factors, but "if they had all been absent and the economic causes and motives had remained, the same effects would have resulted." For this reason, he says, "we are justified in calling this process economic imperialism."[28]

Though the economic motive may have been paramount in imperial expansion, the desire for economic gain on the part of the imperial powers went unfulfilled. Woolf uses data on trade with East Africa to argue this point.[29] Though in absolute terms British trade with East Africa had grown enormously, by 1913 imports from the whole East Coast of Africa (which included German and Portuguese territories) accounted for only two percent of all British imports. The same area took about six percent of British

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[26]Woolf, Empire and Commerce, p. 18, quoting Mr. Chamberlain.

[27]Woolf, Empire and Commerce, p. 26, quoting Captain Frederick D. Lugard (later Lord Lugard).

[28]Woolf, Economic Imperialism, pp. 33, 36.

[29]Woolf, Empire and Commerce, p. 331ff.

exports in 1913. At the same time, the British possessions in East Africa alone accounted for only one percent of British imports and exports. Uganda, an economic prize in the plans of British imperialists, accounted for only .04 percent of British imports and .006 percent of British exports. It would thus seen doubtful that Uganda was necessary to British industry. Further, the rate of increase of British imports and exports from the non-British possessions in East Africa were greater than the increases from the British possessions. It was therefore unnecessary to take possession of a territory to secure supplies of raw materials. Nor did possession guarantee demand for exports. Economic gain accrued only to a "few hundred Englishmen, capitalists and planters, who directly exploit the territories by the purchase of land and mining rights and the flotation of joint-stock companies." Woolf concludes that the "economic beliefs behind economic imperialism are dreams and delusions."[30]

The reality for the African, however, was "abominable cruelty ... and pitiless and dishonest economic exploitation." In Empire and Commerce, Woolf confines his examples to the case of British East Africa. Land was important in East Africa because agriculture dominated economic activities. The British Government allocated lands, called Reserves, to African tribes, but "[n]o native ... [had] any legal title to land within the Reserve, and there [was] no security of tenure to such land even for the tribe." The government sold and leased land, but not to Africans. Thus, "no native of Africa [had] a legal title to a single acre of the soil of East Africa." European settlers in East Africa had control of the land, but they needed African labor. Africans were therefore taxed to

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[30]Woolf, Empire and Commerce, pp. 334, 330.

force them to work for Europeans (at low wages and in undesirable conditions) to earn the money to pay the tax. To Woolf this was "slavery pure and simple."[31]

Imperial exploitation had a disastrous effect on African society. To Woolf, modern imperialism "involved the destruction of one civilization by another, [and] the permanent subordination of one to another." Moreover, Woolf thought that imperialism had "caused great political, economic, and social upheavals all over the world" and was therefore "one of the most dangerous developments in human history."[32]

The two most important aspects of imperialism in Woolf's analysis are the predominance of the economic motive and the exploitation of the peoples brought under colonial rule. By emphasizing these two points, Woolf followed a lead established by Hobson and Lenin. But as a critic of imperialism he took an even more moralistic tone. To Woolf imperialism was a consistently evil factor in the international affairs of his time. In the end, what Woolf offered was more an evaluation of imperialism than an explanation.

IV. LORD LUGARD

Frederick D. Lugard had extensive experience in Africa and in colonial administration. He was born in India in 1858, attended Sandhurst, and served for some years in the Indian Army, participating in the campaign to establish British rule in Upper Burma. In 1888 he went to East Africa, where, in service to the Imperial British East

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[31]Woolf, Empire and Commerce, pp. 258, 338, 347.

[32]Woolf, Imperialism and Civilization, pp. 39, 52.

Africa Company, he annexed territories that would later be included in the Uganda Protectorate. In West Africa, where he was first employed by the Royal Niger Company, Lugard created the West African Frontier Force, which he commanded to establish British rule in Northern Nigeria over the years 1897 to 1899. In 1900 he became High Commissioner of Northern Nigeria. In 1907 he went to Hong Kong to serve as Governor-General. He returned to Nigeria in 1913 to serve as Governor-General, charged with the task of consolidating British administration there. He retired from the Colonial Service in 1919.

In 1922 Lugard published The Dual Mandate in British Tropical Africa.[33] In this work Lugard summed up his experiences in colonial administration and laid out his views on indirect rule, which he first established in Northern Nigeria. It was widely read within the colonial services in Africa: Margery Perham, herself an important writer on African colonial affairs as well as Lugard's biographer, reports that on her extensive travels in Africa in the 1930's she found "almost everywhere our administrative staffs were using The Dual Mandate and the Political Memoranda as the canonical books of their profession."[34] Furthermore, Dual Mandate is important in the present context because it directly addresses some of the criticisms of British colonialism articulated by Leonard

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[33]Frederick D. Lugard (1st Baron of Abinger), The Dual Mandate in British Tropical Africa, Fifth edition (London: Archon Books, 1965 [c1922]). Hereafter referred to as Dual Mandate.

[34]Margery Perham, "Introduction" to Dual Mandate, by Lord Lugard, p. xlii. Her other reference is to Lord Lugard, Political Memoranda: Revision of Instructions to Political Officers on Subjects Chiefly Political & Administrative 1913-1918, Third edition (London: Frank Cass & Co., 1970 [c1906]).

Woolf in Empire and Commerce. Lugard's views are almost the direct opposite of Woolf's. But though it contains no theory of imperialism, Dual Mandate was an important contribution to the literature on imperialism in its time. Indeed, there was a "general recognition that the book was an authoritative justification of Britain's annexation and government of tropical Africa."[35]

In contrast to Woolf, Lugard thought that the control of tropical territories was economically beneficial to Britain. He argued that, though tropical possessions required subsidies at first, they became self-supporting in time and therefore were no burden to the British taxpayer. In addition, trade with Great Britain formed the largest part of the rapidly expanding external trade of these territories. It was simply not true, Lugard wrote, that trade with other parts of Africa was as valuable to Great Britain as trade with British possessions. As evidence, he cited trade data showing that the "trade of the United Kingdom with all French possessions (including those in India and the Far East) was, in 1913, £6,730,244, while our trade with the single dependency of Nigeria for the same year stood at £8,278,813 in spite of the fact that in that year Germany had monopolized nearly half the Nigerian trade, which has since reverted to the United Kingdom." Moreover, Lugard thought that it was irrelevant that tropical dependencies accounted for a small part of the total external trade of Great Britain, since total trade included trade with developed countries as well as trade with underdeveloped tropical territories. To Lugard, current trade was "no measure whatever of ... future potentialities."[36]

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[35]Perham, "Introduction" to Dual Mandate, by Lord Lugard, p. xxix.

[36]Lugard, Dual Mandate, p. 611.

Furthermore, the volume of trade in itself was not particularly relevant, since the "tropics produce in abundance a class of raw materials and of foodstuffs which cannot be grown in the temperate zones, and are so vital to the needs of civilised man that they have in very truth become essential to civilisation."[37] As examples, Lugard included palm-oil, cotton-seed, ground-nut, rubber, hides and skins, coffee, tea, cocoa, rice, tobacco, sugar, jute and other fibers, gums, dye-stuffs, and hard-wood timbers. The list could be expanded, but it is enough to make the point that many commonly used goods, which are necessary to modern industry and contribute greatly to the standard of living of the peoples of the developed countries, are of tropical origin. Thus, the "partition of Africa was ... due primarily to the economic necessity of increasing the supplies of raw materials and food to meet the needs of industrialised nations of Europe."[38]

Lugard thus insisted that economic motives were important in imperial expansion. Though there was a variety of competing economic interests (among those whose interests were to secure the supply of raw materials or to gain access to colonial markets for sales or for capital investment), Lugard insisted that imperial expansion served a general economic interest, which was generally beneficial rather than restricted to capitalists or financiers. Europeans needed the output of the tropics before the peoples of the tropics were technologically or socially prepared to supply the peoples of Europe with tropical produce. European powers therefore took control of tropical areas to supply the tropical produce they needed. Imperial rule thus served the interests of the world at large by

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[37]Lugard, Dual Mandate, p. 43.

[38]Lugard, Dual Mandate, p. 613.

organizing the production of those goods that the tropics could supply. But Lugard insisted that the goal of British imperial policy was to make colonial rule benefit both the ruler and the ruled. Thus the British recognized a dual mandate. They were responsible to the world--to ensure that the tropical dependencies contribute to the welfare of the world at large. And they were responsible to the indigenous peoples of the tropical dependencies--to ensure that tropical peoples benefit from their inclusion into the world economic system.

Lugard was one of the greatest of British colonial administrators. He established a system of indirect rule in Northern Nigeria, where he at first confronted the task of administering a large area with many people and with poor means of transportation and communication. He had few people and little money. There was much to be done, and he was forced to make the best of the situation. In practice, this meant using existing indigenous institutions, and in Northern Nigeria colonial administration could be introduced with little political or social disturbance.

But Lugard saw virtue in the system he established out of necessity. To Lugard, "liberty and self-development [could] be best secured to the native population by leaving them free to manage their own affairs through their own rulers, proportionately to their degree of advancement, under the guidance of the British staff, and subject to the laws and policy of the administration."[39] Indirect rule came to be seen as a means of allowing indigenous societies to adapt to the modern world in their own way, albeit under the guidance of a western authority. It was thought that the worst of indigenous

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[39]Lugard, Dual Mandate, p. 94.

institutions should be eliminated, that the best of indigenous institutions should be retained, and that new institutions should be introduced only as the indigenous societies were ready to accept them. Lugard envisioned the development of indigenous peoples as a slow process, requiring the guidance of western administration for the foreseeable future. Naturally, indirect rule was subject to some criticism.

To some critics indirect rule was too inflexible.[40] Local officials were reluctant to take direct action for fear of being thought too direct. Oppression and corruption in the indigenous institutions were too often tolerated and, therefore, commonplace. It should be pointed out that critics who argued along these lines were arguing that not enough change had been forced on the indigenous societies. Other critics of imperial rule have argued, in contrast, that imperialism was to be deplored because it destroyed indigenous institutions. Finally, some critics thought that indirect rule was an elaborate device designed to prevent the development of indigenous societies and therefore to prolong imperial rule.[41]

To Margery Perham, such criticism missed the point. Perham argued that indirect rule was a "definite and yet highly adaptable system which incorporated native societies as subordinate units of government."[42] It was imposed over a wide variety of African

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[40]On this point, and other criticisms of indirect rule discussed here, see W.R. Crocker, Nigeria: A Critique of British Colonial Administration (London: George Allen and Unwin, Ltd., 1936), and J.F.J. Fitzpatrick, "Nigeria's Curse--The Native Administration," The National Review 84 (1924): 617-24.

[41]See, for example, Ntieyong U. Akpan, Epitaph to Indirect Rule: A Discourse on Local Government in Africa (London: Cassell and Company, Ltd., 1956).

[42]Margery Perham, "A Re-Statement of Indirect Rule," Africa 7 (1934): 322. Hereafter referred to as "Re-Statement."

societies, and "[i]ts principles demanded the utmost possible adaptation to these varieties."[43] The institutions of African societies were ill-suited to meet the needs of the modern world. The task of indirect rule was to "preserve a fair field within which Africans can strike their own balance between conservatism and adaptation."[44] Such decisions must ultimately be made by Africans themselves. Still, the situation was a meeting of two cultures. Perham quotes the response of Sir Charles Napier, a British official in India, to a protest against the prohibition of suttee: "Be it so.... The burning of widows is your custom. Prepare the funeral pile. But my nation has also a custom. When men burn women alive, we hang them and confiscate all their property. My carpenters shall therefore erect gibbets on which to hang all concerned when the widow is consumed. Let us all act according to national custom."[45] Thus the colonial situation involves the meeting of cultures in a process of mutual adaptation.[46] The consequences of this process are often unanticipated. To Perham there was no deliberate attempt to suppress African social development and thus maintain British imperial rule. To contend that such was the case, she believes, is to assume that "from the moment the British annexed parts of Africa they should have set to work with one main urgent objective, to

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[43]Perham, "Introduction" to Lugard, Dual Mandate, p. xlv.

[44]Perham, "Re-Statement," p. 332.

[45]Perham, "Re-Statement," p. 334, quoting Sir Charles Napier.

[46]On mutual adaptation and institutional change in South Central Africa, see Walter C. Neale, "The Evolution of Colonial Institutions: An Argument Illustrated from the Economic History of British Central Africa," Journal of Economic Issues 18 (1984): 1177-1187.

create united, democratic, independent African nations."[47] Perham cautions that one must not forget the nature of African societies at the time of annexation and the impression that African societies of that time must have made on the first British administrators. There is a tendency to judge precolonial societies too favorably. Perham further cautions that one must not think that, because they did not act with complete altruism, the British acted only for their own benefit. The British tried to create a system that was mutually beneficial to themselves and to Africans. To Perham, this was the essence of Lugard's dual mandate in Africa.

V. LEWIS H. GANN AND PETER DUIGNAN

Lewis H. Gann and Peter Duignan represent a more recent contribution to the literature on imperialism.[48] The work examined here, Burden of Empire, published in 1967, is a rebuttal to the arguments of critics of imperial rule who were strongly influenced by the concept of imperial exploitation. They argue against theories that contend that the imperial powers "drained Africa of its riches, furnished the West with an enormous unearned increment of wealth ... sapped the European proletarian's will to revolt ... [and] wrecked traditional societies and prevented a more natural and gradual indigenous evolution."[49]

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[47]Perham, "Introduction" to Lugard, Dual Mandate, p. xlviii.

[48]See especially Gann and Duignan, Burden of Empire.

[49]Gann and Duignan, Burden of Empire, p. 361.

Gann and Duignan point out that imperial expansion is not reducible to a single explanation. Among the motives they mention are the protection of trade, national prestige, strategic advantages (including the formation of secure frontiers), and religious and humanitarian ideals. More fundamentally, there was the weakness of African societies. They quote Hilaire Belloc: "Whatever happens, we have got / The Maxim gun, and they have not!"[50] But it was more than a matter of superior weapons. To Gann and Duignan, "Maxims and Mausers were themselves the products of a highly complex industrial, technical, and scientific culture, which African tribesmen might envy but could not at the time imitate."[51] Thus imperial rule was not the cause of economic and social backwardness. It was economic and social backwardness that led to imperial rule.

Gann and Duignan acknowledge the achievements of precolonial African societies, but point out that these societies imposed constraints on social and economic activities. Imperial rule liberated African societies from these constraints. Moreover, it is difficult to contend, as many anticolonialists do, that African societies would have made a better adjustment to modern conditions without imperial rule. For Gann and Duignan, evidence points to the contrary. Those countries that have been independent the longest (Liberia, Ethiopia, Haiti, and Afghanistan) have not had impressive records of social and economic development.[52] Further, those countries that have most completely broken their

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[50]Gann and Duignan, Burden of Empire, p. 363, quoting Hilaire Belloc.

[51]Gann and Duignan, Burden of Empire, p. 363.

[52]Gann and Duignan, Burden of Empire, p. 376.

economic ties with the former imperial powers have not been the most successful (as, for example, Guinea under Sekou Toure).

Gann and Duignan reject the "widely current doctrine, obligatory among the adherents of Marxism-Leninism, popular as well among many non-Marxist economists ... that the underdeveloped world is not only poor, but also stagnant or actually regressing." They contend that even the experience of Zaire (formerly ruled by Belgium and thought to represent one of the worst examples of western rule in Africa) does not support this doctrine. When the Belgians began their rule, Zaire was an undeveloped territory whose trade consisted of slaves, ivory, and small quantities of copper. By the late 1950s Zaire was one of the world's leading producers of copper and the leading producer of cobalt. Moreover, mining stimulated other economic activities, many of which were achieved with the aid of foreign investment. Railroads, port facilities, cement factories, public utilities, and housing projects were only a few of the features of the developing economy of Zaire. There was in addition increased demand for farm products as well as banking and other services. Zaire began to manufacture textiles, chemicals, foods and beverages, and other goods. It is not necessary to go further into the details of the economic progress achieved in Zaire under colonial rule--the achievements were significant. Further, it is not true that the benefits accrued to a small group of capitalists and financiers. Gann and Duignan insist that the "dramatic increases from production in most colonies benefitted all concerned, the peasant producers and the workers as well as the expatriate interests."[53]

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[53]Gann and Duignan, Burden of Empire, pp. 368-69.

The case of Zaire offers another example of the negative bias of some anticolonialist writers. It has often been asserted that the Belgians did little to prepare the indigenous peoples of Zaire for independence. In fact, it was said that there were only sixteen college graduates at the time of independence. But the number of persons possessing the equivalent of a degree from an American university actually numbered around four thousand. There were eighteen thousand students in secondary schools and nineteen thousand in technical schools. Further, the colonial government spent about fifteen percent of its budget on education, and Zaire had achieved a higher literacy rate than most underdeveloped countries.[54]

Organizing and stimulating new economic activities and providing new modes of education are aspects of a general process of cultural diffusion from the rulers to the ruled that occurred in the colonial era. But if this process did not proceed as rapidly as possible (and anticolonialist critics are not in agreement on whether it occurred too rapidly or too slowly), or if it did not proceed without some undesirable consequences, it was primarily because of ignorance or neglect. Western administrators were at first simply ignorant of useful aspects of traditional institutions. Such ignorance led to bad advice and bad policies. But government policies reflected ideas about the proper role of government in society. Colonial governments took more active roles in economic development as people began to think that it was proper for government to do so. Colonial governments should not be criticized now, however, for not doing in a colony that which it would not have done at home. Further, neglect is seen too easily in

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[54]Gann and Duignan, Burden of Empire, pp. 369-70.

retrospect. Colonial policies emerged to meet immediate needs at first. Later, policies aimed at social and economic development over a longer run, when no one anticipated that colonial rule would have ended so suddenly. If the colonial powers had known that colonial rule would end so soon, they might have taken some alternative action that would have left the colonies better prepared at independence. But such was not the case. To Gann and Duignan, the colonial powers achieved impressive results in Africa in a short time.

Finally, Gann and Duignan examined the concept of exploitation, "which formed the very core of [Lenin's] theory and exercised a profound influence on all critiques of imperialism, no matter from what quarter."[55] Marxist theories of exploitation derive from the theory of surplus value. Workers are paid a wage, determined in the market for labor, that allows them a socially defined minimum standard of existence. But the value of their output, also determined by the market mechanism, is greater than their wage. Exploitation is the appropriation of the difference in value, the surplus value, by capitalists. Exploitation occurs not when capitalists buy labor or sell output, for each receives what it is worth. Rather, workers create more value than they are themselves "worth," and capitalists are able to appropriate the surplus because they own the means of production.

Capitalists try to increase output, and therefore increase the rate of exploitation, by increasing and improving the stock of capital. But the workers exploited by the addition of capital are the workers who made the capital. Gann and Duignan point out that this

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[55]Gann and Duignan, Burden of Empire, p. 67.

implies that workers in industrial countries would be more intensely exploited if capitalists export capital goods to expand output in undeveloped countries.[56] But Lenin argued that capitalist imperialists coopted the upper stratum of the working class in metropolitan countries by allowing them to benefit from the wealth created through imperial exploitation. To Lenin, then, the areas subjected to imperial rule suffered from the more intense exploitation. Thus capitalist expansion did not result in economic development, but to what one contemporary writer calls the "development of underdevelopment."[57] In this Lenin differs with Marx, who thought capitalist expansion would lead to the diffusion of economic progress. Furthermore, though the point is not made explicit in his writing, Lenin apparently contradicts Marx's theory of surplus value. Providing a clear theoretical formulation of the concept of exploitation is undoubtedly a difficult task. But, however weak its theoretical basis, exploitation remains a central concept in the criticisms of imperialism.

VI. IMPERIALISM AND PLURAL ECONOMY

The ideas of the writers examined thus far have not been presented in an attempt to provide a survey of the literature on imperialism. A complete survey of this vast literature is beyond the scope of the present study. The writers examined here have been chosen to illustrate some of the main lines of the development of this literature, as well

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[56]Gann and Duignan, Burden of Empire, p. 68.

[57]Andre Gunder Frank, "The Development of Underdevelopment," Monthly Review 18 (1966): 17-31.

as to illustrate the character of the debate on the nature and consequences of imperialism. In particular, this chapter has attempted to emphasize the polarization of this debate. Most of the works that make up the literature on modern imperialism fall into one of two categories, depending on the political and intellectual orientation of the author. That is, writers tend to be critical and emphasize the negative aspects of imperial rule, or they tend to seek justification and emphasize its positive aspects.

On the negative side, the intellectual orientations of writers range from Marxists to those who, for example, think that capitalism promotes a highly uneven, and therefore unjustifiable, distribution of income. The political orientations of these writers range from revolutionary to reformist (reformist in the sense, for example, of supporting more government intervention to achieve higher rates of economic growth). On the positive side, the intellectual orientations tend toward an emphasis on the efficacy of the market mechanism to allocate resources optimally, to lead to a full utilization of economic resources, and to distribute income fairly. The political orientation of these writers tends toward an emphasis of less government interference with the market mechanism.

Since the Second World War the debate on the nature of imperialism--a debate that includes such topics as economic development and the economic relationships between developed and underdeveloped countries--took place in the cold war era, an era of political rivalry between the United States and the Soviet Union. The debate on imperialism was, to some extent, influenced by this political environment. Supporters of the peoples of the underdeveloped countries, especially supporters of "movements of national liberation," were excessively negative in their evaluations of the impact of

colonial rule and the influence of developed countries on independent, yet underdeveloped, countries in the post-colonial age. Not surprisingly, many of these critics of imperialism argued that underdeveloped countries should break their economic ties to the world capitalist system and pursue a socialistic path of economic development. In contrast, supporters of capitalistic development emphasized the economic progress that occurred in the colonial era and denied that underdeveloped countries were prevented from developing economically because of their external economic relations. These writers tend, again not surprisingly, to emphasize internal conditions in the underdeveloped countries, especially social values inimical to capitalism and state intervention in the market mechanism.

Evaluations of imperialism have thus tended to be excessively positive or negative. But explanations depend on what one is trying to explain--on how one views the world. These views of the world--views of what needs to be explained--have led to the polarized debate on the nature and consequences of imperial rule. That is, writers have tended to focus on the underdeveloped state of colonial economies and to rely on some concept of exploitation to explain unfavorable conditions in colonial areas; or they have tended to focus on the undeveloped social and economic conditions that existed in colonial areas at the beginning of the period of imperial rule and to emphasize the not inconsiderable economic development that occurred in that period.

The significance of Furnivall's theory of plural economy, in contrast, is that it contributes to the literature on imperialism without falling into either of the two orientations that have characterized the debate on imperialism. Furnivall avoids this result

for two reasons. First is his view of what must be explained. To Furnivall, what must be explained is how imperial rule could lead to little improvement in the welfare of indigenous peoples in spite of imperial policies meant to achieve the contrary. Second, Furnivall's theory of plural economy explains both positive and negative consequences of imperial rule as integral parts of its explanation of the process of economic change in a plural society.

The writers examined thus far illustrate the polarization of the debate on modern imperialism. Hobson, Lenin, and Woolf represent writers of a critical orientation. Lugard's work is a response to criticism of imperial rule from a former colonial official. To Lugard, imperial rule is justified and mutually beneficial to ruler and ruled. Finally, Gann and Duignan are clear in their evaluation: The "credit balance," they say of the imperial system, "far outweighs its debit account."[58]

The theories of imperialism of both Hobson and Lenin primarily try to explain the rapid imperial expansion of the late nineteenth century. Both theories are attempts to explain the causes of imperial expansion not long after the events occurred. Furnivall's theory of plural economy, in contrast, was most fully articulated near the end of the period of imperialism (Colonial Policy and Practice was written during the Second World War, but was not published until 1948). Furnivall, in contrast to both Hobson and Lenin, is more concerned with the consequences of imperialism, taking imperial expansion as a given (domination). It is therefore the issue of imperial exploitation that best allows a

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[58]Gann and Duignan, Burden of Empire, p. 382.

comparison of the Hobson's and Lenin's theories of imperialism and Furnivall's theory of plural economy.

Lenin had little to say about imperial exploitation. As mentioned earlier, in Marxian analysis capitalism means exploitation. In a capitalist economy, workers are exploited through the appropriation by capitalists of part of the value of their product. Since imperialism allows a more intensive exploitation of workers in areas under imperial rule, one may conclude that imperialism will lead to the impoverishment of peoples ruled by imperial powers (except, perhaps, for indigenous elites who cooperate with foreign capitalists). To Hobson, imperial exploitation occurs because imperial powers act to promote their own economic interests. Thus the indigenous peoples of colonial areas are exploited because they are forced to serve the economic interests of the imperial powers.

For both Hobson and Lenin, imperial exploitation hinders the economic progress of areas ruled by imperial powers. Either of these theories answers the blunt question addressed by Furnivall: Why, after so many years of imperial rule, are countries like Burma no better off? Hobson would say that if a British policy that genuinely and honestly put Burmese interests ahead of British interests had been pursued, then the Burmese people would be better off. Lenin would say that if British capitalists did not appropriate surplus value from Burmese workers, then Burmese workers would be better off.

But Furnivall's answer is different. It is different because of Furnivall's view of what needed to be explained. Implicit in the theories of both Hobson and Lenin is the idea that social welfare follows economic progress. For Hobson, the ills of imperialism would be

remedied if imperial powers acted in the best interest of the peoples under imperial rule. For Lenin, the ills of imperialism are remedied only by the end of imperialism, which means nothing less than the overthrow of capitalism and the establishment of a socialist system. Thus, for Hobson, the problem of imperialism can be resolved through reform, while for Lenin the problem can be resolved only through revolution. Either way, once the problem of imperialism is resolved, economic development is inevitable because social welfare inevitably and automatically follows economic progress.

A crucial feature of Furnivall's theory of plural economy, however, is the disconnection between economic progress and social welfare. To Furnivall, economic progress does not necessarily promote social welfare. Social welfare is promoted by activities that are organized to promote social welfare, and activities that promote economic progress do not necessarily promote social welfare. Furnivall specifically pointed out that the problems of disconnection, misdirection, and stagnation occur even when imperial powers genuinely and honestly put the interests of the peoples under imperial rule first. This is a situation that Hobson's theory can not explain. Furthermore, even in a socialist society, where the means of production are owned by the state, social welfare will not automatically follow economic progress. It will still be necessary to organize activities that promote social welfare (the recent events in Eastern Europe and the former Soviet Union provide evidence on this point).[59] To achieve economic

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[59]See especially Doug Brown, Toward a Radical Democracy: The Political Economy of the Budapest School (London and Boston: Unwin Hyman, 1988); Marguerite Mendel, "Market Reforms and Market Failure: Karl Polanyi and the Paradox of Convergence," Journal of Economic Issues 23 (1989): 473-81; and Walter C. Neale, "Society, State, and Market: A Polanyian View of Current Change and Turmoil in Eastern Europe," Journal

development, it is not enough that exploitation (in any sense) be eliminated. A theory that is based on exploitation is necessarily limited. Furnivall's theory of plural economy does not preclude exploitation, but neither does it depend on exploitation. It is therefore less limited in its approach to the nature and consequences of imperial rule.

Woolf bases his interpretation of imperialism on the economic relationship between the imperial powers and the territories brought under colonial rule. To Woolf, the economic motive was the predominant motive behind imperial expansion. Exploitation results because imperial powers act to promote their own economic interests rather than the interests of the indigenous peoples of colonial areas. In these basic ideas, Woolf's interpretation of imperialism is almost identical to Hobson's interpretation. But whereas Hobson's and Lenin's interpretation of imperialism emerges from their analyses of the operation of the capitalist economy, Woolf's interpretation depends on what he calls the "beliefs and desires" of capitalist societies.[60] These beliefs and desires, as mentioned earlier, involve the idea that it is proper for one country to further its economic interests against the interests of another country. This led Woolf to emphasize more strongly than either Hobson or Lenin the economic motive that led to imperial expansion, and to emphasize the dominance of imperial economic interests that led to imperial exploitation.

Woolf clearly places too much importance on the motives for imperial expansion articulated by British statesmen (whose statements--in many instances--can be easily explained as justifications for actions already taken). But it is the economic interest

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of Economic Issues 25 (1991): 467-73.

[60]See Woolf, Empire and Commerce, p. 13ff.

promoted by imperial policies that is more relevant here. There is no question that imperial powers wanted to promote their economic interests. The issue is whether imperial powers acted so overwhelmingly to promote their own economic interests that any action taken to benefit indigenous peoples was of no importance (that is, such action neither explains anything nor needs to be explained). Furnivall insists that colonial policies were designed to promote the welfare of indigenous peoples and to promote the economic interests of the imperial powers. This idea, of course, is also seen in the concept of the dual mandate articulated by Lugard. It is difficult to sustain the idea that "humanitarian ideals" played no part in imperial policies. The problem is that the "consequences of colonial practice have differed widely from the humanitarian aims sit forth in colonial policy."[61]

Furnivall uses the history of imperial policies in Netherlands India to argue his point. Raffles aimed to "release several millions of his fellow creatures from a state of bondage and oppression" suffered under the Dutch. Van den Bosch thought that Raffles was concerned solely to increase British trade. Van den Bosch introduced the Cultivation System, which he thought would "diffuse prosperity by enabling the people to produce more, and therefore to earn more." But to the Liberals, who came later, Van den Bosch "wrapped a gilt coating of philanthropic theory round a bitter pill of practice." Van de Putte thought that the Liberal System would promote welfare by promoting economic individualism. Later critics, who advocated reforms that would be incorporated into the Ethical System, thought that Liberals "balanced their love for the natives against regard

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[61]Furnivall, Colonial Policy and Practice, p. 289.

for their own pockets." Even later, critics of Dutch imperialism would charge the Ethical reformers with "hoisting the Cross in place of the Jolly Roger, but without changing the sailing orders."[62]

Furnivall contends that similar charges of hypocrisy also mark the histories of British and French colonial policies. To Furnivall, in "almost every generation there have been reformers sincerely zealous for native welfare but, while picturing a golden future in the warm glow of their imagination, they have judged their predecessors in the cold light of actual achievement."[63] So many different men, in different times, from different countries, and with different political orientations have expressed the desire to improve the welfare of indigenous peoples in colonial areas that it is indeed difficult to contend that this desire was not genuine and that it did not play a major role in the formulation of colonial economic policies. Thus, an interpretation of colonial rule that focusses so overwhelmingly on the economic interests of the colonial powers is necessarily limited.

Furnivall's interpretation of the consequences of colonial rule does not place an unnecessary and unrealistic explanatory burden on the economic interests of colonial powers. Compared to Woolf's interpretation, Furnivall's interpretation explains more and is, by that measure, superior. Still, Furnivall must explain how colonial policies were frustrated in practice, and the idea of misdirection does explain the frustration.

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[62]Furnivall, Colonial Policy and Practice, pp. 289, 222, 290. [The first quotation is attributed to Raffles. The second is Furnivall himself. The rest are uncited.]

[63]Furnivall, Colonial Policy and Practice, p. 290.

The most obvious case of misdirection arises from the idea that promoting western enterprise will promote the welfare of indigenous peoples. This was the basis of many imperial policies, especially during the Liberal era of the late nineteenth century. Liberal policies aimed at allowing the free play of economic forces. But it is precisely the unregulated working of economic forces within the context of a plural society that leads to the characteristic features of plural economy. Promoting western enterprise will promote economic progress, but social welfare is promoted only by organizing activities that directly provide for social welfare--and here is where the idea of disconnection fits. To promote social welfare it is necessary to organize a demand for activities that provide social welfare. But forming a common social will, which leads to organized or social demand among the various elements of a plural society was one of the major, unsolved problems of the colonial situation. Even if western enterprise is promoted to generate government revenue to provide welfare services, the problem of misdirection arises. Taxes of western businesses were used primarily to provide the services that those businesses needed. Little was left over for welfare services. Even then, welfare services did not reflect a social demand arising from a common social will. Rather, they reflected the ideas of the colonial administrators. Colonial policies are misdirected because "economic and social services ... do little to enhance welfare, except so far as it is necessary to economic progress."[64] This is the problem of colonial rule.

Lord Lugard was one of the most important advocates of the concept of dual mandate--the idea that colonial rule should promote world welfare and the welfare of

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[64]Furnivall, Colonial Policy and Practice, p. 413.

indigenous peoples in colonial territories. He also advocated the virtues of indirect rule in fulfilling this mandate. Indirect rule has the virtue of leaving intact indigenous institutions wherever possible. Intact indigenous institutions might, in addition, have the virtue of organizing social demand for social welfare and therefore maintaining a connection between social welfare and economic progress. But the challenge to indigenous peoples is to organize demand for new activities that are consistent with their place in a wider world. Social wants must change as a result of contact with the western world, and indigenous peoples must find ways to satisfy those wants. But "[i]ndirect rule ... strictly applied ... cuts the people off from western civilization and keeps them backward without giving them adequate protection against economic forces." While, indirect rule is consistent with slow social and economic change, the slow pace of change itself led to policies for more rapid change--again, colonial policies attempted to improve welfare by promoting more rapid economic progress, and again the frustrating elements were disconnection and misdirection.

Finally, the ideas of Gann and Duigan take on added meaning when viewed from the perspective of Furnivall's theory of plural economy. Gann and Duigan emphasize the economic progress that occurred during the colonial era. They contend that great achievements had been made in transforming colonial economies, and that the indigenous peoples themselves had participated in and benefitted from this economic progress. But a commonplace observation of colonial administrators (including Furnivall) was that the welfare of indigenous peoples failed to show steady improvement. It was not unusual for colonial administrators to report that, even after twenty or thirty years (or longer) of rapid

economic progress, the people seemed no better off. Gann and Duigan have no way to incorporate such observations into their interpretation, except to say that these observations are untrue, or that they reflect government interventions with economic forces, or that they reflect conditions that exist when economic forces have not had sufficient time to result in a high state of economic development. The remedy for the situation, if it truly exists, is simply more economic progress, for welfare must surely follow economic progress.

But Furnivall does incorporate these observations directly into his theory of plural economy. Again, the relevant idea is the disconnection between economic progress and social welfare. Because social welfare does not automatically follow economic progress, colonial rule can create conditions that are favorable to economic progress without leading to improvements in social welfare. Colonial economies were not stagnant in the sense of lacking economic progress; they were stagnant in the sense of failing to improve social welfare. Further, failure to improve social welfare can cause a slowing down of economic progress. (Recent experiences in parts of Africa--as well as Eastern Europe and the Soviet Union--confirm this idea.)

Furnivall's theory of plural economy explains both the presence of economic progress and the absence of improvements in social welfare as results of the processes of economic change in plural societies. From the perspective of Furnivall's theory of plural economy, Gann and Duignan have no adequate explanation of the failure of rapid economic progress to improve social welfare in colonial areas. For to Gann and Duignan, using the

perspective provided by standard economics, social welfare follows automatically from economic progress.

VII. CONCLUSIONS

This chapter has examined Furnivall's ideas in the context of various interpretations of modern imperialism. The argument presented here is that the debate on modern imperialism has been highly polarized, and that interpretations of the colonial experience are limited in their explanatory value. Furnivall's theory of plural economy, in contrast, avoids the extreme positions taken in the debate on imperialism, while at the same time explaining more of the facts of the colonial experience. The ideas of Furnivall's theory of plural economy, then, provide a more complete approach to issues concerning the nature and consequences of colonial rule.

The next two chapters will build upon Furnivall's ideas through a comparison of his ideas with the ideas of Karl Polanyi and the American institutionalists.

CHAPTER VIII

FURNIVALL AND KARL POLANYI

The purpose of this chapter is to point out the striking similarities between Furnivall's interpretation of social and economic change in the plural society and Karl Polanyi's interpretation of the emergence and transformation of the market economy in Britain during the nineteenth century. The next chapter will place the work of Polanyi within the body of scholarship generally known as American institutionalism, and will then compare Furnivall and the major institutionalist writers. The result will be to place Furnivall's theory of plural economy within the broader and more general framework of institutional economics.

I. POLANYI'S BASIC IDEAS

Perhaps the best start to an examination of institutional economics is the distinction between the two root meanings of the word "economic" and the concept of "instituted process" found in the works of Karl Polanyi.

Formal and Substantive Economics

Polanyi draws a distinction between what he calls the "formal" and the "substantive" meanings of the word "economic."[1] Standard economic analysis derives from the formal

[1]Karl Polanyi, "The Economy as Instituted Process," in Trade and Market in the Early Empires, ed. Karl Polanyi, Conrad Arensberg, and Harry Pearson (Chicago: Henry Regnery Company, 1957), pp. 245-50.

meaning of "economic," while institutional economics derives from the substantive concept of "economic".

The formal meaning of the word "economic" is given by the "logic of rational action," where rational action is defined as "choice of means in relation to ends" and where "rational" refers neither to ends nor to means. The "logic of rational action applies ... to all conceivable means and ends covering an almost infinite variety of human interests." When "choice is induced by an insufficiency of means, the logic of rational action turns into that variant of the theory of choice ... called formal economics."[2]

Formal economics, therefore, is a relating of means to ends that requires an insufficiency of means to achieve all ends and that further requires that choices be induced by that insufficiency. It is clear that the formal meaning attaches to words such as "economical" and "economizing," and that standard economics is derived from this meaning of "economic." Standard economic analysis "results from the application of formal economics to an economy of a definite type, namely, a market system." To Polanyi, the "use of the formal meaning denotes the economy as a sequence of acts of economizing, i.e., of choices induced by scarcity situations."[3] From the perspective of formal economics, then, the economy is organized through interrelated acts of economizing, and thus the familiar definition of economics as the allocation of scarce resources to competing ends.

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[2]Polanyi, "Economy as Instituted Process," pp. 245-246.

[3]Polanyi, "Economy as Instituted Process," pp. 243, 247.

Standard economic analysis assumes that economic agents try to maximize some quantity subject to constraining conditions. When the economy is viewed as proceeding from the desires and actions of individual economic agents--consumers, households, or firms--that try to maximize satisfaction, utility or profits, it is possible to state the logical conditions under which an "optimal" situation obtains. This has been the focus of much of standard economic thought.

The substantive meaning of "economic" refers to people's interaction in their natural and social environments in supplying the material means to pursue their activities. The "substantive meaning implies neither choice not insufficiency of means; man's livelihood may or may not involve the necessity of choice and, if choice there be, it need not be induced by the limiting effect of a 'scarcity'."[4]

Instituted Processes

In the substantive sense, the economy is an "instituted process" whereby people go about "provid[ing] themselves with the material means of achieving their ends." A "substantive economics--institutional economics--becomes the study of economies, of how people go about provisioning themselves, whether as individuals or as members of groups with common purposes. No universal aim, no universal method of logic is assumed. Rather, what people want to achieve and how they go about it--the institutions that govern provisioning--become the subjects of study."[5] The term "instituted process" simply

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[4]Polanyi, "Economy as Instituted Process," pp. 243-244.

[5]Walter C. Neale, "Institutions," Journal of Economic Issues 21 (1987): 1180.

recognizes that social activities (including economic activities) are organized through institutions that may or may not be described by formal economic analysis.

A substantive economics asks how people in societies go about providing for their material well-being--how economies are organized. The processes that organize activities are what Polanyi calls the "instituted process," or what institutionalist economists mean by the term "institutions."[6] The processes that organize economic activity may also, at the same time, organize other activities (e.g., religious or political activities). It is therefore possible, in a particular economy, that there be no purely economic institutions that organize purely economic activities. In fact, this is precisely what is found in the study of pre-modern or non-western societies: that economic activities are organized by institutions that also organize other social activities. This is what Polanyi means when he says the economy is "embedded" in society.[7]

The "Economistic Fallacy"

Confusion occurs when the two meanings of economic are combined, or when the formal meaning is used exclusively to identify the economy. It is possible for the formal and the substantive meaning to coincide. If production and distribution of goods and services are organized through a system of self-regulating markets, then some useful applications of economics in the formal sense can be made. If, Polanyi says, "All goods

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[6]Anne Mayhew, "Culture: Core Concept Under Attack," Journal of Economic Issues 21 (1987): 588.

[7]Polanyi, "Economy as Instituted Process," p. 250.

and services, including the use of labor, land and capital are available for purchase in markets and have, therefore, a price; [if] all forms of income derive from the sale of goods and services--wages, rent and interest, respectively, appearing only as different instances of price according to items sold; [and if] [t]he general introduction of purchasing power as the means of acquisition converts the process of meeting requirements into an allocation of insufficient means with alternative uses, namely, money"--if all these qualifications apply, then the "formal method of approach offers a total description of the economy as determined by choices induced by an insufficiency of means." If, however, the production of goods and services are not so organized--that is, not organized through a system of self-regulating markets--then, in order to understand the economy, the substantive meaning of the economy must be used. To insist that standard economic analysis can be universally applied is to fall into what Polanyi calls the "economistic fallacy."[8]

The Great Transformation

Polanyi's arguments in The Great Transformation[9] rest in large part--although he uses these terms only in his later work--on his distinction between "formal" economics and "substantive" economics, and on his view that all economies are organized through instituted processes. That these ideas place Polanyi within the institutionalist tradition in

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[8]Polanyi, "Economy as Instituted Process," pp. 247, 270.

[9]See n.3, p.3.

economics will be discussed elsewhere; at this point it is only important to show how these ideas are crucial to Polanyi's interpretation of social and economic history.

The Double Movement

Polanyi argued that the market economy required that institutions that previously organized economic activity be replaced by new institutions. A market economy is one in which economic activity is organized through a system of self-regulating markets. Markets are self-regulating when fluctuating prices result in changes in the quantities supplied and quantities demanded so that the quantity supplied equals the quantity demanded, and there is no role for interference from outside.

A market economy requires markets for all goods produced. It also requires markets for all inputs used in production. Some inputs are produced for sale to other producers. Some inputs are not produced for sale, but the market economy requires that they nevertheless be sold in self-regulating markets: labor, whose price is the wage rate; land, whose price is rent; and money, whose price in the rate of interest.[10] More will be said

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[10]Standard writers often make a distinction between "real" capital, goods produced by man to produce other goods, and "financial" capital, money, which can be used to gain command over real economic resources, including real capital. Markets for financial capital are sometimes divided into "money" markets, where money is borrowed on terms of less than one year, and "capital" markets, where money is borrowed on terms of one year or more. Interest is payment made for the use of financial capital. Polanyi correctly identifies money as a fictitious commodity. Although real capital consists of real commodities, it is money that gives control over real capital or the resources used to create real capital. Money is sold on financial markets, but its "production" is governed through the interactions of individual economic agents and public and private institutions. Money is brought into the self-regulating market system when the central monetary authority submits to the automatic mechanisms of the gold standard.

about these inputs shortly. Here it is only necessary to point out that the institutions of the market economy include wage labor, alienable land, banks, and business firms.[11]

These institutions were established in Great Britain through a series of acts of government that formed the first aspect of the double movement: the movement to establish a market economy. The Poor Law Reform of 1834 was essential in creating a market for labor. The resumption of specie payments in 1821 and the Bank Act of 1844 were important in establishing the principles of the gold standard in the self-regulating market for money. Property in land was furthered by the enclosures of the 1790s and a variety of acts in the nineteenth century (e.g., the Inheritance Act and the Real Property Act). Finally, the repeal of the Corn Laws in 1846 brought rural society in Britain further into an international market economy.

Replacing old institutions with new institutions often results in social disintegration. When old institutions are replaced by new institutions, it is possible that some activities are left "unorganized" because the new institutions do not provide for the same needs or perform the same functions. It may be that the new institutions fail to organize activities that people want organized. Or it may be that the new institutions do address the same needs, but people fail to understand how the new institutions work. It is likely that doing something a new way will conflict with traditional beliefs. It is also possible that doing something a new way will conflict with the rules governing activities performed to achieve other ends. Further, new institutions may try to organize activities that people

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[11]Walter C. Neale, "The Market in Theory and History," in Trade and Market in the Early Empires, ed. Polanyi, Arensberg, and Pearson, p. 364.

simply do not want. Finally, it is possible, even probable, that some people will be able to manipulate a new institutional arrangement to achieve ends that are different from those for which the institution was created. These are all elements in the process of social disintegration.

British society began to disintegrate because the old institutions not only organized economic activity, they also organized what can be called "social protection." Although this is simply saying that society was organized to provide for its continued existence, the point is still vital. The older institutions certainly organized the application of labor to achieve economic ends. But those institutions also protected the livelihood of the workers who provided the labor. Previously existing institutions also organized the use of land and other natural resources, but they also prevented the "disastrous effects of the mobilization of land," which include all those effects that fail to recognize that man lives in and is part of his natural environment (e.g., pollution of streams, deforestation, and erosion).[12]

The introduction of the market economy meant the creation of institutions that organized activities according to the dictates of the market economy. The new institutions, in their role of organizing the market economy, did not and could not organize social protection. Polanyi was specific about the institutions that needed to be created for the successful operation of the market economy. These institutions were markets for labor, land, and money. It was only when markets for labor, land, and money were organized that a self-regulating market system could be complete and operate all on

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[12]Polanyi, Great Transformation, p. 183.

its own. To organize labor, land, and money for the market economy meant that they had to be organized as if they were produced for sale in the market, just as any commodity is actually produced for sale in the market. But, since this is obviously not true about land, labor, or money, Polanyi referred to them as "fictitious" commodities.[13]

New institutions with their fictitious commodities were necessary for the establishment of the market economy. But it was also necessary to eliminate the old institutions, and submitting the fictitious commodities to the dictates of the market had grave social consequences. This is because labor, while it may be bought and sold on the market, cannot be separated from the workers who provide it. Land and other natural resources, likewise, may be bought and sold on the market, but are not produced for sale on the market. More importantly, they constitute the natural setting or environment in which people live. And money is simply the purchasing power that provides continuity to the economic process and the power to mobilize resources. Indeed, the market economy requires that man, nature, and the on-going economic process be subordinated to the requirements of the self-regulating market system. The market economy, as Polanyi says, requires the establishment of a market society. Polanyi thus found a "stark utopia"[14] in the theories of the classical economists.

The introduction of machine technology into a commercial society resulted in the instituting of a market economy. This is the first part of the double movement. But the market economy brought social disruption and disintegration along with economic

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[13]Polanyi, Great Transformation, p. 72.

[14]Polanyi, Great Transformation, p. 3.

progress. Social welfare was adversely affected, bringing about a need for social protection. The second part of the double movement was the instituting of measures for social protection. This was achieved through transforming specific interests into general interests through the agency of governments responsive to the general interest. The movement for social protection was a spontaneous articulation of social demand--it was what the people needed and wanted to improve their quality of life. Moreover, the measures for social protection not only provided for enhanced social welfare but also provided a foundation for further economic progress. (For example, measures that took children out of mines and factories and put them in schools; measures that provided for public health and safety in the workplace; and measures that provided greater security to incomes.)

The establishment of a market economy must be accompanied by massive social disruption that severely threatens man and nature. Thus the movement to establish the market economy is followed by another movement to organize social protection. This "thus" is not logical, but historical--however much it follows from the logic of his analysis. The movement for social protection, however, must lead to the disruption of the market economy. In the end, it meant the collapse of nineteenth century civilization--that civilization centered in Britain and resting upon the balance of power, the gold standard, the liberal state, and the self-regulating market system. The "great transformation" to which Polanyi refers proceeds from the collapse of this civilization.

II. FURNIVALL AND POLANYI

Polanyi on Colonial Conditions

The preceding discussion makes clear that institutional change and social disintegration are important elements in the thought of Karl Polanyi. While The Great Transformation is concerned with an interpretation of nineteenth century British economic history, there are some explicit references to colonial conditions. Polanyi calls the "poorer classes" of Britain the "detribalized, degraded natives of their time," citing anthropological literature that "insisted on the similarities between colonial problems and those of early capitalism."[15] It is Polanyi's institutional approach to economy and society that allows him to use the anthropological literature to see similarities between colonial conditions and conditions in early nineteenth century England.

Polanyi then goes on to remark, "Destructive culture contact is not primarily an economic phenomenon." While "the invaders' motives are definitely economic, and the collapse of primitive society is certainly often caused by the destruction of its economic institutions, the salient fact is that the new economic institutions fail to be assimilated by the native culture which consequently disintegrates."[16]

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[15]Polanyi, Great Transformation, p. 290.

[16]Polanyi, Great Transformation, p. 291. [Emphasis in original]. Among the works cited by Polanyi on colonial conditions are Richard Thurnwald, Black and White in East Africa; The Fabric of a New Civilization (New York: The Humanities Press, 1950 [c1935]), and Lucy Mair, An African People in the Twentieth Century (New York: Russell and Russell, Inc., 1965 [c1934]).

Nor is disintegration, in any simple way, the result of economic exploitation. "If exploitation is defined in strictly economic terms as a permanent inadequacy of the ratios of exchange, it is doubtful whether, as a matter of fact, there was exploitation."[17] Polanyi clearly thinks that the emphasis put on economic exploitation in analyses of colonial problems is the result of economistic bias. This economistic bias, it should be added, is as common in radical literature as in standard literature--the difference is that the standard literature is more likely to emphasize the "purely economic" benefits of colonial administration.

Although he did insist on the similarity between the conditions of indigenous peoples under colonial rule and the conditions of the early nineteenth century British working classes, Polanyi's analysis focussed on the evolution of the market economy in societies. Conversely, Furnivall focussed on the evolution of the plural economy in plural societies under colonial rule. Despite this dissimilarity of foci, their analyses display striking similarities and consistencies; and in fact, their arguments are complementary and mutually reinforcing.

Polanyi spoke in terms of "formal" economics. Furnivall's "economics" included the "universal" principles of the "survival of the cheapest" (to "pay twopence rather than threepence for the same thing") and the "desire for gain" (to "want threepence rather than twopence for the same thing").[18] For each the terms apply only to the economics of the market. Polanyi also spoke in terms of "substantive" economics and the "instituted

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[17]Polanyi, Great Transformation, p. 159.

[18]Furnivall, Colonial Policy and Practice, p. 290.

process." Furnivall used terms such as "political economy" or "social economy," as well as "plural economy" and "tropical economy." For each the terms refer to the institutional arrangements that organize economic activities. These concepts can be considered points of departure for both Polanyi and Furnivall--and the ideas are virtually the same.

To Furnivall the survival of the cheapest and the desire for gain are economic laws operating at all times and all places. They are not subject to change because of cultural differences, but they are the economic interest devoid of cultural content: it is what Polanyi calls "formal economics."

But Furnivall was clear on this point: the standard economics that guided the thinking of colonial administrators was of little use in understanding the economies of traditional societies that had been brought into contact with the west. He did not see culture as merely constraining individual behavior. Rather, it formed individual interests and organized social activities. This view led Furnivall to focus his attention on the relation of the individual to society, on the relationships among the sections of society and their relationships to society as a whole, and on the institutions that guide individual activities and regulate social activities. It is this view that makes his analysis of economic change in the plural society so consistent with Polanyi's interpretation of the evolution of the market economy. Indeed, in Polanyi's phrase--"[m]ankind was in the grip, not of new motives, but of new mechanisms"[19]-- one need only substitute "colonial peoples" for "mankind" to have Furnivall's central point.

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[19]Polanyi, Great Transformation, p. 219.

The elements of Furnivall's theory of plural economy are: (1) domination, (2) liberation, (3) disintegration, 4) pluralization, (5) disconnection, (6) misdirection, and (7) stagnation. Disintegration and disconnection are elements offering the most immediate similarities to the thought of Polanyi. Other elements, most importantly the idea of the plural society itself are, as will become apparent, consistent with Polanyi's ideas, and, as will also become apparent, their ideas are mutually reinforcing.

Social Disintegration

Social disintegration is an element of plural economy to Furnivall; for Polanyi it plays a crucial role in explaining the movement to provide social protection. Social disintegration is important for both because they focus on the specific institutions that organize social activities in specific societies.

Furnivall argued that administration by colonial powers resulted in the disintegration of colonial societies. This is consistent with Polanyi's idea that where the economy is "embedded" in social institutions that also organize other social activities, it is not possible to introduce new institutions of administration, or to organize new economic activities according to new rules of law, without destroying those institutions that organized activities according to old rules. The impact of colonial administration is therefore necessarily the disintegration of traditional society.

Social disintegration in Burma resulted from the new rural administration introduced by the British. The new administration altered the role of the village headman and brought about changes in the traditional system of land tenure. Under Burmese rule, rural

areas had been organized into myo, in which the myo-thugyi exercised authority only over those inhabitants constituting his "circle." Burmese society as a whole was organized along the lines of circle and entourage as described by Lucien Hanks.[20] British administration retained the thugyi, or village headman, but changed the fundamental character of his authority. The new administration took no consideration of the existence of circle and entourage. Districts became collections of villages and hamlets and the thugyi was given authority over all the inhabitants in his area.

To Furnivall, social welfare is "closely dependent on the preservation of common rights." In the traditional Burmese system, common rights regulated the use of water from catchment areas for cultivation, for cattle, and for drinking and bathing. Common rights also regulated the use of pasturage, fuel, and rights of way across fields. "Common land" was set aside for "grazing or fuel, or for sanitary convenience." Encroachment was prevented by "public opinion and the authority of the headmen."[21]

New economic opportunities brought new economic incentives to expand production, and thus to encroach upon the common land. Public opinion and the authority of village headmen weakened; the common land tended to disappear, to the detriment of village welfare. Moreover, much common land was simply not demarcated in the preliminary assessment surveys because it was cheaper to use Indians, who could not even speak Burmese, much less understand the Burmese system. When new crops were introduced, incomes of individual cultivators might increase--but new crops often strained village

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[20]Hanks' theory of circle and entourage are presented in chapter 4.

[21]Furnivall, Colonial Policy and Practice, pp. 107, 105.

irrigation systems, decreasing output for the village as a whole. Common rights were disregarded because colonial officials came to Burma with preconceived ideas formed from their experience in India. Also, officials had their first experience in assessment in Lower Burma, where newly formed villages had fewer common rights to record. Additional problems arose because lands left fallow were not included in the village surveys. But former cultivators retained some claim on fallow land in the rotational system in Burma, and land that was currently occupied would later pass out of cultivation. In Lower Burma, land was registered to occupants, who were considered sole owners. This practice was repeated in Upper Burma, where families shared rights in land. The result was confusion of tenures and an increase in disputes and litigation "to the further prejudice of common village life."[22]

The new system of rural administration conflicted with the older system. Traditional institutions and rules were disregarded by the Burmese themselves, and were directly undermined by the colonial administration. Previously, the circle and entourage had provided a hierarchical and complementary organization to economic activities. Further, the system checked inordinate exercise of authority. Further still, principles of Burmese social life provided for access to the means of livelihood for all villagers. British rural administration replaced the older system, and Furnivall reports a steady erosion of adherence to rules that protected the quality of village life. Furnivall commented that the country had been broken into villages, and the villages had been broken into individuals. This is an exaggeration, but it contains an important element of truth: the institutions that

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[22]Furnivall, Colonial Policy and Practice, p. 107.

had organized Burmese life were replaced by new institutions that organized life according to new principles, and one of those new principles emphasized individual self-interest.

British administration did introduce new economic activities; it did remove many traditional institutions that had restricted economic activities in the past; and the result was expanded production. But expanded production was a benefit to Burmese only as individuals. Social life was adversely affected. Villages, especially the newly formed villages of Lower Burma, left unorganized much that could and should have provided simple but necessary amenities to village life. Basic problems of sanitation and public health were unaddressed, problems made evident in the indifference to or inability to restrict encroachment on the common land. Special departments were formed by the colonial governments to address these problems, and municipal governments were formed to include the Burmese in solving them. But the people were not responsive.

Colonial governments were correct that the people <u>needed</u> what the governments wanted them to want. But the people did not want what the colonial governments wanted them to want. New institutions were therefore ineffective while older institutions were undermined. Colonial governments responded by creating more elaborate mechanisms of administration, which included increasing use of special departments that, in turn, led to further deterioration of traditional institutions. But the failure of British (or Dutch) colonial rule is not simply that it led to social disintegration. Rather, colonial rule failed because it failed to <u>re</u>-integrate social life and to organize a social demand for social protection in a new system.

In Polanyi's analysis of the evolution of market economy, social disintegration resulted because the market economy replaced old institutions with market institutions, and because the new system liberated the forces of economic self-interest that, when uncontrolled, eliminate all non-economic values, as Furnivall argues. Older institutions guaranteed access to the means of livelihood to all, while the market society "transformed within less than half a century vast masses of the inhabitants of the English countryside from settled folk into shiftless migrants" whose prime motivation was the fear of starvation.[23]

Disconnection

To Furnivall, social welfare does not follow economic progress unless there exists a social demand for welfare. Colonial governments, however, are unable to articulate social demand in plural societies because they do not represent the local cultures and because in plural societies social demand is virtually non-existent.

Disconnection is equally an essential element in the thought of Polanyi: to Polanyi, there was economic progress in early nineteenth century Britain, but there was no automatic improvement in social welfare. Improvements in social welfare were a result of the parallel movement to provide for social self-protection: to provide social protection is to create connections between economic progress and social welfare.

In The Great Transformation Polanyi argued against the Liberal interpretation of the double movement. In the Liberal interpretation, there was never a need for social

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[23]Polanyi, Great Transformation, p. 157.

protection. Liberal writers emphasize figures that indicate a rise in income and population in early nineteenth century Britain. They contend that social welfare improved over this period, or at least that it did not decline. Polanyi, in contrast, emphasizes the social change that had occurred over the same period. The situation is analogous to saying that an individual is better off after a change of occupation as long as the pay is higher. Higher pay for the same job may indeed improve the quality of life. If few economists, however, would contend that the quality of life has unambiguously improved after a change of occupation, in spite of higher pay, even fewer economists recognize that standard measures of welfare are not relevant after a period of great social change. To Polanyi, social welfare is not the same as (a hypothetical) aggregate individual welfare.

Polanyi refers to the consequences of the introduction of market economy as a "social calamity" and a "cultural catastrophe."[24] The terms mean "social disintegration" and indicate a declining social welfare, which was the primary stimulus to the movement for social protection in the more homogeneous societies of the west in the late nineteenth century.

Social demand is an essential element in this spontaneous movement for social protection. In Polanyi's analysis, circumstances may challenge or threaten the society as a whole, but response comes from specific interests. Social demand is created and manifested through the translation of specific class interests into general interests. But, for any specific class or group to achieve its ends, it must convince other classes or groups that what it wants fits into a general interest. The more homogeneous a society,

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[24]Polanyi, Great Transformation, p. 157.

the more easily can a general interest be articulated and the mechanism of government brought into action. Many acts of government improved the working conditions of the British working classes in the middle and late nineteenth century, but government action did not result from the force of working class interests alone. Other classes that did not share their specific interests had to be convinced that the actions were in the interest of society as a whole.[25]

Actions were taken on a wide range of issues. It was illegal to employ in mines boys under twelve who could not read and who did not attend school. A Chimney-Sweeper's Act sought to protect young sweepers. Vaccinations were made compulsory and enforceable. Public funds were allocated to public libraries. Food inspectors were appointed. The list could be extended. All of these actions "dealt with some problem arising out of modern industrial conditions and was aimed at the safeguarding of some public interest against dangers inherent either in such conditions or, at any rate, in the market method of dealing with them."[26] Thus specific interests (e.g., higher wages for industrial workers) were transformed into general interests (e.g., living wages in a decent society).

Polanyi emphasizes that class interests must be related to society as a whole to understand the role any particular class plays in a process of social change. Even then, only the mechanism of social change has been explained. Polanyi points out that the

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[25]See Polanyi, "Birth of the Liberal Creed (Continued): Class Interest and Social Change," chapter 13 in Great Transformation, pp. 151-62, for his treatment of class interests and the general social interest.

[26]Polanyi, Great Transformation, p. 146.

stimulus for change often comes from "external causes, such as a change in climate, in the yield of crops, a new foe, a new weapon used by an old foe, the emergence of new communal ends, or, for that matter, the discovery of new methods of achieving the traditional ends."[27] Or, as he points out later, through the processes of culture contact.[28]

Polanyi, like Furnivall, sought to understand the constituent elements of a society within the context of the society as a whole. Furnivall examined the constituent elements of plural societies. Polanyi examined the different social classes variously affected by the changing circumstances facing more homogeneous societies. (Benjamin Disraeli referred to the "Two Nations" of early nineteenth century Great Britain. That this society had strong plural characteristics in not in doubt. But the social disintegration of the first part of the nineteenth century gave way to a successful movement for social protection later on. The British working classes did not suffer the same fate as the colonial peoples. This is an important difference.)

Polanyi's analysis of the role of class interests in the development of the market economy is consistent with Furnivall's use of the concept of social demand in his explanation of the frustrated attempts to improve social welfare in plural societies. Social demand is simply the successful transformation of class interests into general interests. Polanyi recognized that specific classes were able to mobilize governments to provide the social protection needed to improve the quality of life: to make economic progress serve

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[27]Polanyi, Great Transformation, p. 152.

[28]Polanyi, Great Transformation, p. 158.

social welfare. This process is easier in a homogeneous society because constituent elements share common concepts about the proper ends of life. Further, governments respond to needs articulated by the people. In the plural societies studied by Furnivall, in contrast, no common concept of social welfare prevailed. In addition, when colonial governments introduced measures that they thought were needed to improve the standard of living, they represented a foreign minority interest in the plural society. Thus they were ill-equipped to articulate the general interests of a plural society. Moreover, a general interest rarely exists in a plural society. For example, during the depression of the thirties, the colonial government of Netherlands India wanted to boycott Japanese cotton goods, but for economic reasons Chinese merchants refused to participate; the boycott was suspended.[29] In homogeneous societies, economic considerations can be tempered, and specific interests can combine to form general interests. In plural societies, specific interests too often preempt and destroy general interests.

It is the inability of colonial government in plural societies to articulate the general interest that resulted in the frustration and misdirection of actions taken to enhance social welfare. Actions were frustrated when they did not conform to social wants. Actions resulted in misdirection when policies intended to enhance social welfare were transformed into actions that furthered economic progress alone. Thus plural societies under colonial rule were unable to reproduce the conditions that led to the double movements in the homogeneous societies of the west.

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[29]Furnivall, Colonial Policy and Practice, p. 309.

The work of Furnivall and Polanyi is complementary and mutually reinforcing. The study of one can result in greater appreciation and understanding of the other. Polanyi's more explicit articulation of institutional analysis adds much to Furnivall's discussion of social disintegration. The concept of the instituted process, and the idea that in traditional societies the economy is embedded in other social institutions, makes the social disruption brought on by colonial rule a more tangible concept. It also becomes clearer why influencing some aspects of traditional life, while leaving others intact, is an impossible task. Furnivall's concept of social demand adds a cultural dimension directly into economic analysis, and he is more explicit in his discussion of the relationships between economic progress and social welfare. His argument that there is no necessary connection between national income and social welfare supports Polanyi's arguments against the Liberal interpretation of the double movement.

In conclusion, while Polanyi sought to explain the collapse of nineteenth century western civilization and Furnivall sought to explain the results of contact between western and non-western civilization, their ideas are mutually consistent and result in striking similarities in their analyses. Indeed, Furnivall's theory of plural economy can be considered the substantive economics of the colonial experience.

The goal of the next chapter will be to demonstrate that Furnivall's theory of social and economic change in the plural society is a major, if virtually unrecognized, contribution to institutional economics.

CHAPTER IX

FURNIVALL AND AMERICAN INSTITUTIONALISM

This chapter will argue that striking similarities also exist between the work of Furnivall and the work of economists in the school of American institutionalism. The body of work of the American institutionalists is too large to examine as a whole, so only a few works by some major writers of this school will be examined--enough to place Furnivall within this school of thought. Further, this chapter will demonstrate that Karl Polanyi can be considered an American institutionalist (if Hungarian by birth and upbringing). The result will be to show that Furnivall made what should be a significant, if so far largely unrecognized, contribution to the literature of institutional economics, especially to the institutionalist theory of economic development.

In spite of the great diversity exhibited by the writers in the institutionalist tradition in economics, there is a common core of concepts held by American institutionalists that constitutes a distinct approach to economics. This common core allows one to say that there is such a thing as institutional economics, that this approach differs in theoretical orientation from standard economics, and that institutional economics presents an alternative to the economics of the orthodox tradition.[1]

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[1]"Standard" economics is used in the same sense as in chapter 8. "Orthodox" economics is used in much the same sense as standard economics. All orthodox economics is standard economics. But while some standard economics is unorthodox, it still uses the same tools or methods of analysis. For the purposes of this dissertation, therefore, the terms can be considered synonymous.

The "questions that are asked by neoinstitutionalist economists are radically different from those that are asked by orthodox economists. It follows, therefore, that the two schools employ equally dissimilar methods when they go about their business of seeking answers to their unlike questions."[2] What, in the common core of thinking by these diverse writers, gives rise to the different questions and methods of institutional economics? Elements include a different conception of human behavior that allows the economy to be studied as a cultural phenomenon, a focus of attention on institutions--or instituted processes--that regulate and shape economic activities, and the theory of instrumental valuing, in which valuing is a social process, not a faculty of an economic "individual."

Evidence for this common core of ideas will be drawn from such major figures of American institutionalism as Thorstein Veblen, John R. Commons, and Clarence Ayres. Then these ideas will be compared to the ideas contained in Furnivall's theory of plural economy, which will thus be placed firmly within the institutionalist tradition.

I. THORSTEIN VEBLEN

Thorstein Veblen, one of the pioneers of institutional economics, was born in 1857 and died a few months before the Great Crash of October, 1929. He was influenced by developments in the social sciences of the late nineteenth century, particularly cultural anthropology and social psychology. His research primarily addressed the emerging

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[2]Hans E. Jensen, "The Theory of Human Nature," Journal of Economic Issues 21 (1987): 1069.

industrial economy of the United States in the late nineteenth and early twentieth centuries (with notable exceptions, such as his Imperial Germany and the Industrial Revolution[3]). He did, however, leave explicit statements about his idea of what an evolutionary or institutional economics should be.

An important development in the social sciences that influenced Veblen was the concept of culture. Indeed, culture has been a concept central to institutionalism since its beginnings with Thorstein Veblen. Veblen used the concept "instinct," a widely used concept in his time, to articulate his ideas on human behavior. According to Veblen, "instincts ... are the prime movers in human behavior." But whatever the "instincts," "proclivities," or "propensities" that make up the innate and universal characteristics of human nature, their manifestations are not immutable. Rather, they are guided by intelligence and experience, and "subject to development and hence to modification by habit."[4] "Clearly when he spoke of instincts," wrote Clarence Ayres, Veblen had in mind "culturally significant patterns of behavior."[5]

Veblen's most important articulation of the appropriate methods for an institutional economics was "Why Is Economics Not An Evolutionary Science?"[6] In this article Veblen criticizes the standard economics that Polanyi calls "formal" economics; he also provides an alternative that was more consistent with the other social sciences of his time-

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[3]Thorstein Veblen, Imperial Germany and the Industrial Revolution (New York: The Viking Press, 1939).

[4]Jensen, "The Theory of Human Nature," pp. 1040-41, quoting Thorstein Veblen.

[5]Jensen, "The Theory of Human Nature," p. 1041, quoting Clarence E. Ayres.

[6]See n. 17, p. 145.

-an alternative that Polanyi called "substantive" economics, but that Veblen called "evolutionary" economics. Veblen begins his examination of the state of economics in his time by stating that, to "those men who are doing the serious work of modern anthropology, ethnology, and psychology, as well as of those in the biological sciences proper ... economics is helplessly behind the times." Moreover, economics is "unable to handle its subject-matter in a way to entitle it to standing as a modern science." Economists "fall short of the evolutionist's standard of adequacy, not in failing to offer a theory of a process or of a developmental relation, but through conceiving their theory in terms alien to the evolutionist's habits of thought." For pre-evolutionary science "[t]he ultimate term in their systematisation [sic] of knowledge is a 'natural law' ... [that] is felt to exercise some sort of a coercive surveillance over the sequence of events ... [with] a consistent propensity tending to some spiritually legitimate end." Anything not in harmony with the legitimate end is a "disturbing factor." The result is a "coincidence of facts with the deliverance of an enlightened and deliberate common sense." Veblen therefore concludes, "Economics ... shows too many reminiscences of the 'natural' and the 'normal,' of 'verities' and 'tendencies,' of 'controlling principles' and 'disturbing causes' to be classed as an evolutionary science." But if "the ultimate laws and principles which they [the classical economists] formulated were laws of the normal or the natural, according to a preconception regarding the ends to which, in the nature of things, all things tend," then the question is: How can one avoid the "metaphysics of normality and controlling principles?"[7]

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[7]Veblen, "Evolutionary Science," pp. 56, 59, 61-62, 64, 65, 70.

Veblen answers: "For the purpose of economic science the process of cumulative change that is to be accounted for is the sequence of change in the methods of doing things--the methods of dealing with the material means of life." These methods "lie before the investigator at any given point of time in the form of mechanical contrivances and arrangements for compassing certain mechanical ends." These mechanical contrivances are conceived as "items of inert matter ... serving the material ends of man" and are classified by economists as "capital." Even if adequate for purely taxonomic purposes, it "is not an effective method of conceiving the matter for the purpose of a theory of the development process." Veblen thinks the mechanical contrivances should be "taken as items in a process of cumulative change or as items in the scheme of life, [as] facts of human knowledge, skill, and predilection; [as] prevalent habits of thought."[8]

Turning his attention to the Austrian school of economics, Veblen criticizes them for their "faulty conception of human nature"--faulty because "[t]he human material ... is conceived in hedonistic terms." The "psychological and anthropological preconceptions of the [standard] economists" are out of date. Veblen, though, clearly thinks that "[t]he later psychology, reenforced by modern anthropological research, gives a different conception of human nature."[9]

Veblen is specifically at odds with the "hedonistic conception of man ... [as] a lightning calculator of pleasure and pain," as a "globule of desire" whose lifetime activities are "incidental to the process of saturating given desires." This hedonistic

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[8]Veblen, "Evolutionary Science," pp. 70-71.

[9]Veblen, "Evolutionary Science," pp. 73, 74.

conception is not adequate because the newer theories of psychology and anthropology indicate that "[t]he economic life history of the individual is a cumulative process of adaptation of means to ends that cumulatively change as the process goes on, [and] methods of life are enforced ... by habits of life carried over from yesterday and by the circumstances left as the mechanical residue of the life of yesterday."[10]

To Veblen, what is true of the individual is, in this respect, true of the community: "All economic change is ... a change in the community's methods of turning material things to account." Changes in "habitual methods of procedure" mean changes in "habits of thought." There is "no definitely adequate method of life and no definitely or absolutely worthy end of action.... The notion of a legitimate trend in a course of events is an extra-evolutionary preconception, and lies outside the scope of inquiry into the causal sequence in any process." Whether the economic process is a "teleological process in the sense that it tends or should tend to any end that is conceived to be worthy or adequate by the inquirer ... [is] a question of which an evolutionary economics need take no account."[11]

But what does all this mean to Veblen? "The economic life history of any community is its life history in so far as it is shaped by men's interest in the material means of life." This economic interest "has guided the formation, the cumulative growth, of that range of conventionalities and methods of life that are currently recognized as economic institutions." However, the economic interest "affects the cultural structure at

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[10]Veblen, "Evolutionary Science," pp. 73, 74-75.

[11]Veblen, "Evolutionary Science," pp. 75-76.

all points, so that all institutions may be said to be in some measure economic institutions."[12]

Thus "an evolutionary economics must be the theory of a process of cultural growth as determined by the economic interest, a theory of a cumulative sequence of economic institutions stated in terms of the process itself."[13] In short, economic processes must be explained in terms of the changing institutions that organize economic activity.

Veblen's major works, such as The Theory of Business Enterprise[14] and Absentee Ownership and Business Enterprise in Recent Times,[15] focussed on the evolution of the modern industrial economy of the United States in the late nineteenth and early twentieth centuries. However, his first important work was The Theory of the Leisure Class,[16] which earned Veblen a degree of notoriety through the invention use of such terms as "conspicuous consumption" and "invidious comparison." Leisure Class was, nevertheless, a serious study of consumption. It differed from standard works on consumption in that it examined consumption as a cultural phenomenon. To Veblen patterns of consumption cannot be explained in terms of individual preferences and income constraints. Rather, consumption is conditioned by cultural training. Consumption determines the standard

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[12]Veblen, "Evolutionary Science," pp. 76, 77.

[13]Veblen, "Evolutionary Process,"p. 77.

[14]Thorstein Veblen, The Theory of Business Enterprise (New York: Charles Scribner's Sons, 1904).

[15]Thorstein Veblen, Absentee Ownership and Business Enterprise in Recent Times (New York: B.W. Huebsch, Inc., 1923).

[16]Thorstein Veblen, The Theory of the Leisure Class (New York: The Macmillan Company, 1912 [c1899]). Hereafter referred to as Leisure Class.

of living of individuals and families. One's standard of living does not go unnoticed by other members of the community. Indeed, status within the community and standard of living are closely related. Much of consumer behavior therefore consists of efforts by consumers to display their status positions in the community through a display of consumption. This is what Veblen meant by conspicuous consumption. Patterns of consumption are thus results of cultural conditioning and a social, not individual phenomena--precisely Furnivall's points.

II. JOHN R. COMMONS

Culture is equally important in the work of John R. Commons, the other founder of institutional economics. In his scheme, however, Commons distinguishes between habit and custom. "Habit is individual repetition. Custom is a kind of social compulsion imposed on individuals by the collective opinion of those who feel and act alike.... Custom is repetition by ... continuing groups of changing persons" that "has a coercive effect on individuals."[17] To Commons, that part of behavior that is of primary interest to social scientists is, therefore, determined by culture. Customs, or collective behavior, are organized by social institutions.

Commons defines the term "institution" as "collective action in control, liberation and expansion of individual action."[18] "[I]nstitutionalized customs, and the rules associated therewith, are the forces that either bend and mold individual habits so that they conform

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[17]Jensen, "The Theory of Human Nature," pp. 1050-51, quoting John R. Commons.

[18]Jensen, "The Theory of Human Nature," p. 1051, quoting John R. Commons.

to the rules of collective action or punish those individuals who do not mend their habits in accordance with these rules."[19] Thus Commons takes a social or cultural approach in his analysis of human behavior. Before examining how he made use of this approach. some mention may be made of the factors that influenced his thought.

Commons was born in 1862 and died in 1945. He was thus a contemporary of Thorstein Veblen. Like Veblen, he was influenced by the changes in the American economy of the last decades of the nineteenth century as well as the new ideas emerged from the social sciences of the time. Unlike Veblen, he was also greatly influenced by his own experiences as a social and economic reformer. Among the important influences in Commons' career was drafting legislation for such economic reforms as public utility taxation, workmen's compensation, minimum wages, and unemployment insurance. He was confronted with the necessity of drafting legislation that would be held constitutional in the higher courts. He was thus led to undertake an examination of the decisions of the United States Supreme Court in cases involving economic questions, particularly questions relating to property, valuation, and business organizations. His study of Supreme Court decisions led to the publication of The Legal Foundations of Capitalism (1924),[20] one of Commons' major theoretical contributions to the literature of institutional economics.[21]

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[19]Jensen, "The Theory of Human Nature," p. 1051.

[20]John R. Commons, The Legal Foundations of Capitalism (New York: Macmillan Co., 1924). Hereafter referred to as Legal Foundations.

[21]Commons' other major theoretical contributions were Institutional Economics, 2 vols (Madison, Wisconsin: The University of Wisconsin Press, 1959 [c1934]), and The Economics of Collective Action (New York: Macmillan Co., 1950).

For Commons, the most fundamental unit of analysis for an institutional economics was the transaction; it is the "means by which people, individually and collectively, determine proportioning of resources, extent of output, and distribution of rights, duties, and benefits."[22] There are three basic types of transactions: the bargaining transaction, the managerial transaction, and the rationing transaction. In the bargaining transaction the parties to the transaction are legal equals. In the managerial transaction, the parties are legal superior and legal inferior (a parent corporation and its subsidiary, or employers and employees, for examples). The rationing transaction involves a collective superior and individuals who are inferior (a legislature and taxpayers). To Commons, these "three units of activity exhaust all the activities of the science of economics." Wealth is voluntarily transferred between legal equals in the bargaining transaction, created in managerial transactions that coordinate the activities of legal superior and legal inferior, and distributed in the rationing transaction of collective superiors. These three types of transactions form a "larger unit of investigation, which in British and American practice, is named a Going Concern." Further, "these going concerns, together with the working rules that keep them going, all the way from the family, the corporation, the trade union, up to the state itself ... we name Institutions."[23]

Economic transactions were inherently focal points of conflicting interests. In the bargaining transaction, conflict of interest arises from the desire of one party to get as

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[22]Lafayette G. Harter, Jr., John R. Commons: His Assault on Laissez-Faire (Corvallis, Oregon: Oregon State University Press, 1962), p. 224. Hereafter referred to as Commons.

[23]Harter, Commons, p. 225, quoting John R. Commons.

much as possible and of the other party to give as little as possible. In the managerial and rationing transactions, there are conflicts of interest arising from the different interests of superior and inferior parties. It is therefore necessary to resolve disputes, to "come to a working agreement, and since such agreements are not always possible voluntarily, there always has been some form of collective compulsion to decide disputes."[24] Supreme Court decisions have played an important role in the resolution of disputes in the United States. Further, these decisions have been an important part of the process whereby the "working rules" of "going concerns" have changed. Thus Supreme Court decisions have played an important role in the processes of institutional change that is the essence of economic evolution.

Commons' analysis gives insight into the meaning and importance of the term "reasonable" in the legal process. For, as Commons found, in "Court decisions it seemed that anything 'reasonable' would be sustained, and so we had to use the words reasonable value, reasonable safety, reasonable wages, and fix up reasonable conduct for public officials and private citizens, whether we knew what it meant or not."[25] Commons' study of Court decisions led him to conclude that "[r]easonableness turned out to be the pragmatic question of reducing economic conflict in such a way that all interested parties would accept the compromise as a reasonable solution of the problem of keeping the going concern in operation."[26] Thus the process of economic change for Commons was

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[24]Harter, Commons, p. 230, quoting John R. Commons.

[25]Harter, Commons, p. 218, quoting John R. Commons.

[26]Allan G. Gruchy, Modern Economic Thought: The American Contribution (New York: Augustus M. Kelly Publishers, 1967), p. 146.

a process of cumulative change in which the resolution of disputes gives rise to changes in the working rules of going concerns as well as to legal precedents that create a legal context for the resolution of future disputes; the process is driven by a pragmatic concern to solve collective problems.

Commons and Veblen are considered the founders of the American school of institutional economics. They certainly were the two most important institutionalists of the early twentieth century. For both, the important questions of economic analysis were how the processes of institutional change had led to the particular economic organization of their time. While they focussed on different aspects of that institutional change, their approaches to economics were fundamentally similar.

III. CLARENCE AYRES

Clarence Ayres, who was born in 1891 and died in 1972, was a member of the next generation of American institutionalists. His contributions to the institutionalist theory of economic development are of special interest for this thesis. Ayres, influenced by the economics of Veblen and the philosophy of John Dewey, agreed that human nature was a function of culture. According to Ayres, people "act as they do--they are what they are--because of the societies in which they live."[27] While there is a biological aspect of the total human endowment, this has remained unchanged since the beginning of civilization.

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[27]Jensen, "The Theory of Human Nature," p. 1055, quoting Clarence E. Ayres.

Thus, to Ayres, "the only aspect of human nature that is relevant for socioeconomic analysis is the historically evolved socio-cultural component."[28]

It is clear that Ayres' conception of the cultural determinants of human behavior are consistent with the ideas of Veblen and Commons. It is Ayres' contributions to an institutionalist theory of economic development, however, that are important here. Ayres presented his ideas on economic development in The Theory of Economic Progress, originally published in 1944.[29] Here Ayres presents the most complete analysis of the concept of pragmatic adaptation that is characteristic of all institutionalist thought. In essence, Ayres states that all human behavior is conditioned by the specific culture to which its individual members belong. But, in addition, human behavior can be said to exhibit two different aspects. These different aspects of behavior are the instrumental and the ceremonial. It is the instrumental aspect that gives rise to new ways of living, when new activities are evaluated in terms of their instrumental adequacy. The instrumental standard of evaluation is whether a new activity offers a pragmatic solution to a problem faced by a community. The instrumental aspect of behavior is dynamic. It is the key element in the processes of cumulative change in ways of acting and living. The ceremonial aspect of behavior, in contrast, inhibits change because the standard of evaluation is whether a new activity conforms to a community's already existing rules and folkviews.

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[28]Jensen, "The Theory of Human Nature," p. 1055.

[29]Clarence E. Ayres, The Theory of Economic Progress, Second edition (New York: Schocken Books, 1962 [c1944]). Hereafter referred to as Economic Progress.

Pragmatic adaptation, driven by the instrumental aspect of behavior, will result in new activities. New activities will give rise to institutional change and to new ways of valuing by a community when the previously existing institutions allow the new activities to become widely practiced. If the old institutions are too rigid, then the new activities will not become prevalent and may even be extinguished. New activities, supported by new institutional arrangements and new ways of thinking, will set the stage for further pragmatic adaptation, when the community faces new problems. (There will, of course, inevitably be vestigial elements remaining from the old institutions and old ways of thinking.) Thus the process of pragmatic adaptation is a cumulative process of institutional change.

The instrumental aspect of behavior is the driving force behind economic development and is most clearly seen in the process of technological change. Technological change is therefore a key element in the institutional theory of economic development; it is a cumulative process that, over the long run, results in technological progress.

To Ayres, technology included all human activities that involved the use of tools. But the process of technological change cannot be understood unless the concept of technology includes both tools and the skills involved in their use. "Skills <u>always</u> employ tools, and tools are such <u>always</u> by virtue of being employed in acts of skill by human beings." Technological advance is brought about by discovery and invention that "result from the combining of hitherto separate tools, instruments, materials, and the like."[30]

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[30]Ayres, <u>Economic Progress</u>, p. vii. [Emphasis added.]

New discoveries and inventions are more likely whenever tool combination is more likely. "Thus, the greater the stock of existing technological devices, the greater the number of permutations and recombinations in the form of new inventions that are likely to occur."[31]

In The Theory of Economic Progress, Ayres examined the cumulative process of technological progress. "By tracing the technological elements in the [Industrial Revolution] to earlier inventions and discoveries, he argued that there had been an ever-proliferating continuum of tool-using activities since earliest times, which had shifted their geographic loci of concentration from time to time but which had never lost their historical continuity."[32] When peoples of different technological heritage come in contact, then the "tools, machines, instruments, processes, and conceptual devices" of the different peoples, which always exist in "association with skilled human manipulation and cognitive attention," may be combined and recombined, giving rise to technological progress.[33]

Always, technological progress is driven by instrumental or pragmatic evaluation of new discoveries and inventions. But this process may be inhibited by the ceremonial aspect of human behavior. Since ceremonial behavior is embedded in social institutions, there arises the possibility of conflict between technology and social institutions; and,

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[31]James H. Street, "The Institutionalist Theory of Economic Development," Journal of Economic Issues 21 (1987): 1883. Hereafter referred to as "Institutionalist Theory of Development."

[32]Street, "Institutional Theory of Development," p. 1866. But, as the ruins of Zimbabwe and Monomotapa testify, technological continuity is not guaranteed.

[33]Street, "Institutionalist Theory of Development," pp. 1866-67.

indeed, technological progress may be inhibited by an unfavorable institutional environment. However, technology is an "autonomous, self-sustaining process, and ... the potential for fruitful discoveries [are] enhanced in a receptive environment."[34]

Ayres based his theory of economic development on his ideas of human behavior and on his ideas of technological change. He summarized his theory in four principles of development. His first principle states that the "process of economic development is indivisible and irresistible." Ayres meant that the processes of discovery, invention, and institutional adaptation that resulted in the modern industrial economy were "incidents in a general process" that had been at work since the beginning of human history. Further, the process of technological change had been powerful enough to break through institutional resistances to provide the technological foundations of the modern industrial economy. The second principle is that "technological revolution spreads in inverse proportion to institutional resistance." This principle needs no further elaboration. The third principle is based on Ayres' belief that the "most important factor in the economic life of any people is the educational level ... of the community.... [a] technically sophisticated community can and will equip itself with the instrumentalities of an industrial economy." The fourth principle of economic development is that the "values which are engendered in the technological process are universal values." If a society wants to take advantage of modern science and technology, it must accept the pragmatic or instrumental conception of truth that modern science and technology require.

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[34]Street, "Institutionalist Theory of Development," p. 1883.

Economic development and cultural change are thus part of the same process, and therefore, the "values of pre-scientific, pre-industrial cultures are doomed."[35]

The institutionalist theory of economic development is an "extension of the general body of institutionalist theory."[36] It focusses on the processes of development that led to the modern industrial economy and on the processes that will allow the currently developing countries to achieve more technologically advanced economies.

IV. POLANYI AND AMERICAN INSTITUTIONALISM

The discussion of the similarities between the ideas of Karl Polanyi and the American institutionalists will draw upon the ideas of Polanyi that were presented in chapter 8 and the ideas of the American institutionalists presented in this chapter. This comparison will show that Polanyi's analysis proceeded within an institutionalist framework and, thus, that Polanyi's work is a contribution to the institutionalist literature.[37]

Polanyi's general approach to the study of the economy, his methods of analyzing economic questions, and the specific analyses he presented in his major works confirm that Polanyi worked within an institutionalist framework of analysis. For Polanyi, too, an economy is a cultural phenomenon, and it must be examined with the tools of social science that have developed since the latter part of the nineteenth century, particularly

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[35]Ayres, Economic Progress, pp. xviii-xxiv.

[36]Street, "Institutionalist Theory," p. 1861.

[37]For a similar argument, but one that does not focus on culture and development, see Walter C. Neale, "Karl Polanyi and American Institutionalism: A Strange Case of Convergence," chapter 16 in The Life and Work of Karl Polanyi, ed. Kari Polanyi-Levitt (Montreal: Black Rose Books, 1990), pp. 145-51.

those of cultural anthropology. The view that human behavior must be studied as a cultural phenomenon Polanyi shares with all institutionalists. His particular reliance on the ideas that emerged in the study of non-western societies he shares especially with Veblen. Polanyi's openness to ideas of modern social science resulted in a view of the relationship of the individual and society that stands in sharp contrast to the view of standard economics. In essence, the standard view begins with the individual--society is therefore simply an aggregate of individuals. Because standard economics fails to recognize the social or cultural determinants of individual behavior and is therefore inadequate to analyze the social processes that economists need to address, both Polanyi and the American institutionalists used what are now called institutionalist methods in their economic analyses.

The similarities between Polanyi and the American institutionalists in questions of appropriate method are probably the most crucial. For, given that the economy is a cultural phenomenon and that culture is the key determinant of the behavior that is of most importance to economists, the question still remains: How does the economist go about analyzing the ways in which those activities that comprise the economy are organized? The view of the standard economist is that all human behavior contains an economic aspect. This aspect of behavior results in economizing, in optimizing the use of scarce resources. The tools that standard economists use to analyze the economy are based on the theory of rational choice. In contrast, institutionalists focus on the institutions that organize economic activity; the activities that are important to social scientists are social activities determined by social processes. With his idea that the

"instituted process" organized economic activities, Polanyi clearly placed himself among the American institutionalists.

V. FURNIVALL AND AMERICAN INSTITUTIONALISM

The previous section of this chapter argued that the work of Karl Polanyi is entirely consistent with American institutionalism. In chapter 8, it was argued that Polanyi and Furnivall used strikingly similar approaches in their studies of economic change. It follows with Euclidean logic that, as much as Polanyi is consistent with American institutionalism, Furnivall is consistent with American institutionalism. In this section the Euclidean logic will be reinforced by a direct examination of the ideas that connect Furnivall to American institutionalism.

Culture and Institutions

The concepts of culture and organized social activity are integral parts of Furnivall's theory of organized demand. Social wants are those wants that people experience only as members of specific cultures. Further, social wants are wants that can be satisfied only through organized social activities (i.e., instituted processes, or institutions). Social demand is thus made effective only through instituting activities that satisfy social wants. It is not a question of purchasing power, although that could be important. Rather, it is a question of social organization. Preferences themselves cannot be "outside" the scope of economic analysis, for at any time preferences are the emergent product of the evolving social organization of a specific culture. Further, the concept of the plural

society, in which two or more peoples live side by side without forming a common culture, puts culture at the center of the analysis. To Furnivall, the formation of social wants and the organization of effective social demand are essential to the development of specific (and unique) cultures. But cultural differences in the plural society lead to differences in social wants, while cultural disintegration makes social demand ineffective. Social reintegration--a common culture--is thus vital to overcoming the stagnating influences of plural economy.[38] (These ideas have been examined in more detail in chapter 3.) It is clear that Furnivall's use of the concepts of culture and organized social activity in his theory of organized demand is consistent with the ideas of the American institutionalists.

Institutional economists focus their attention on the changing institutions that organize economic activity, making their analyses studies of evolutionary processes. Furnivall's theory of plural economy is entirely consistent with this idea. Processes of institutional change give rise to the plural society and, therefore, to plural economy. Furnivall analyzed the peculiar adaptations to changing circumstances that led to the plural society in Burma. The expansion of the British Empire meant that new institutions of colonial government, along with new economic activities and forms of business organization, were introduced into Burma. Colonial administration meant the introduction of British colonial

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[38]This is not to say that the resulting society cannot exhibit strong plural features. But as Furnivall says, the "first problem [of the plural society] is to find some principle transcending material ends, some moral principle, that all [elements of the plural society] can accept as valid." [Quotation from J.S. Furnivall, "Some Problems of Tropical Economy," in Fabian Colonial Essays, ed. Rita Hinden (London: George Allen and Unwin, Ltd., 1945), p. 171. (Emphasis in original).]

administrators. Immigration from India, followed by immigration of Chinese, led to the introduction of sizeable Indian and Chinese populations. Thus the plural society was formed. Among the peculiar adaptations in Burma was the division of labor along cultural lines. No component of the plural society in Burma was able to experience the full range of social or even of economic life. New technologies were introduced and new economic activities were organized that expanded production. But the institutional arrangement of the plural society inhibited further adaptation on the part of the indigenous peoples that might have provided a foundation for further economic advance. The institutional adaptation that led to the plural society narrowed the economic and social lives of the indigenous peoples (indeed, even the lives of the foreign components were narrowed) and further inhibited the formation of new social wants and the organization of effective social demand for new activities to sustain economic progress. Thus stagnation, identified by Furnivall as an element of plural economy, was a distinguishing characteristic of the plural society. But it should be kept in mind that the plural economy works as it is organized to work; its peculiar organization is the product of an evolutionary process of institutional change. Again, Furnivall's theory of plural economy is entirely consistent with the ideas of the American institutionalists.

Progress and Development

Furnivall's theory of plural economy is also consistent with the institutionalist theory of economic development. Furnivall never explicitly articulated a theory of economic development, yet the theory of plural economy, as articulated in Colonial Policy and

Practice, should be an important contribution to the institutionalist literature on economic development. The specific contribution that Furnivall made is the idea of the disconnection of economic progress from social welfare; and, especially if augmented by Polanyi's analysis of the double movement presented in The Great Transformation, Furnivall's idea of disconnection adds an important element.

Since the time of Adam Smith, it has been a part of the heritage of standard economics that social welfare would automatically follow economic progress. This idea became an important part of the Classical Liberal philosophy, and thus was an important part of the thinking of British colonial policy makers and administrators. Furnivall, however, set out to explain the outstanding result of colonial rule: that it led to economic progress but not to improvements in social welfare.

In Furnivall's analysis, social welfare was a cultural concept. The plural nature of colonial societies, and the resulting social disintegration that is characteristic of plural societies, led to a weakening of social demand for specific ways of life that conformed to the standards of social welfare of any of the constituent elements of the plural society. But effective social demand for activities that promote social welfare is necessary to establish a connection between social welfare and economic progress. Instituting such a connection is vital for economic development. As Polanyi argued in The Great Transformation, the movement to establish the market economy was accompanied by a movement to provide for social protection. The movement for social protection instituted measures that improved social welfare. Social adaptation to technological change must provide institutional mechanisms that provide social welfare if economic development is

to be more than just economic progress. Economic development thus demands cultural change that leads to the formation of new social wants that are consistent with new economic activities that provide the basis for economic progress. Further, new activities must be organized to provide for social welfare directly (an additional aspect of cultural change) if economic progress is to lead to economic development.

In The Theory of Economic Progress, Clarence Ayres showed how economic development is determined by the interaction of technological and institutional processes.[39] But Ayres did not include the idea that social adaptation to new technologies must include the institutionalization of measures that directly provide for social welfare. It is in the work of John R. Commons that additional confirmation of this idea can be found in the institutionalist literature. In Commons' view, conflict was an inevitable aspect of economic activity. He found that the industrial economy of the United States in the early part of this century brought forth conflicts over job security, income maintenance, job safety, and compensation for injury (to name only a few). Commons studied the ways in which conflicts are resolved in courts of law. More importantly, he actively engaged in writing legislation that helped to resolve industrial conflict. This legislation reduced conflict and thereby improved the performance of the economy, and it did so by providing for improvements in social welfare. It also provides a good example of the kinds of institutional adaptations that are required for economic development.

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[39]"Instrumental" and "ceremonial" would conform more closely with the analysis of Ayres' ideas presented earlier in this chapter. "Technological" and "institutional" are more appropriate in the present context.

Conclusion

The ideas that form Furnivall's theory of plural economy are in all respects consistent with the ideas of American institutionalism. Indeed, his theory of plural economy, most fully articulated in Colonial Policy and Practice, should be seen as a major contribution to institutionalist literature. Furthermore, his idea of the disconnection of economic progress and social welfare is an important extension of the institutionalist theory of economic development.

CHAPTER X

CONCLUDING REMARKS

One of the most important ideas examined in this dissertation is the connection between economic progress and social welfare. From the days of Adam Smith, economists have believed that social welfare follows economic progress. Providing a theoretical basis for resolving a recurring conflict over on the connection between the particular interests of individuals and the general interest of society is perhaps one of Adam Smith's most important contributions to economics.[1] It was an idea that provided a basis for liberal economic policy: individuals, acting in their own self-interest, further the general interest. Moreover, it was an idea that was consistent with the capitalist economy that emerged in Great Britain in the nineteenth century.

Standard economics has contributed many important ideas over the past two hundred years. Focussing on individual acts of economizing, it had much to contribute to understanding the working of market economies. It does not, however, explain everything. It is especially weak in providing a basis for understanding evolutionary change. A new approach to the problem of evolutionary change was possible after the contributions of Charles Darwin in the middle of the nineteenth century and the development of the concept of culture at the close of that century. This approach, which may be called the institutionalist approach in economics, explains economic change in

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[1]An interesting, and amusing, contribution to this debate is, of course, Bernard Mandeville's The Fable of the Bees: Or, Private Vices, Publick Benefits (Oxford: Clarendon Press, 1924 [c1705-29]).

terms of the changing institutions that organize economic activities. It involves a view of the economy that differs fundamentally from the view of standard economists, and provides a clear alternative to that view. It is the basis for the contributions of Thorstein Veblen, John R. Commons, and other American institutionalists, as well as the important contributions of Karl Polanyi. It also provides, however unconsciously, the basis for Furnivall's theory of plural economy.

Preceding chapters have compared Furnivall's theory of plural economy with the analyses of Karl Polanyi and the American institutionalists. Here it is sufficient to point out that Furnivall viewed the economy, not in terms of interconnected acts of economizing, but in terms of the particular ways in which specific societies provide for their material well-being. More precisely, Furnivall analyzed the economic dynamics of culture contact. A peculiar form of economic organization, which he called the plural economy, resulted when two or more peoples of different cultures come together, creating a common economy without forming a common culture.

Most important to Furnivall, however, were the processes of economic change in plural societies. Thus Furnivall focussed on the changing institutions that organized economic activities in Burma and Netherlands India. In his study of Netherlands India, for example, Furnivall examined the changing role of the Controleur in initiating and coordinating economic activities. In his study of Burma he focussed on the interactions between the evolving institutions of colonial rule and the changing village institutions that organized Burmese economic life. In his studies of both Burma and Netherlands India, Furnivall drew attention to the division of labor along the lines that divided each. Burma

and Netherlands India remained plural societies over their colonial periods because neither was able to create institutions that provided for a common social and economic life for all their constituent elements. The social and economic life of each element was narrow. This narrowness of life prevented particular interests, expressed by particular elements of society, from combining to give expression to a general interest.

From the narrow perspective of each element, there was no society-as-a-whole. The colonial government was left to act in the general interest. But without creating and organizing among indigenous peoples new social demands for new activities, the colonial administration could only organize what it wanted the people to want. Further, allowing the development of western enterprise to provide funds for social welfare, without organizing social demand for welfare among indigenous peoples, did not provide sufficient funds, nor did it organize activities that could provide social welfare directly.

Thus one of Furnivall's most important contributions in his theory of plural economy is the idea of disconnection between economic progress and social welfare. This idea, moreover, derives from Furnivall's institutionalist approach. A similar idea is found in Karl Polanyi's Great Transformation. In that work Polanyi argued that the market economy that emerged in Great Britain in the nineteenth century provided for expanded output, while at the same time it led to social dislocation. To Polanyi, social disruption led to a movement for social protection, which institutionalized activities that provided for social welfare directly. But the movement for social protection depended on the expression of a general social interest. In Furnivall's terms, it was the strength of social demand in the homogeneous society of Great Britain that established a connection

between economic progress and social welfare. The important point is that social welfare is provided through organized social activities (or, using Polanyi's term, "instituted processes") just as much as from increasing material output. Material output may enhance the welfare of people as individuals, but social welfare must be provided through instituted activities. When viewed from this perspective, there is no automatic connection between economic progress and social welfare.

Finally, it should be emphasized that Furnivall's ideas do not provide an apology for colonialism or imperialism. In his most important work, Colonial Policy and Practice, he compares British direct rule in Burma with Dutch indirect rule in Netherlands India. Furnivall himself points out that, in spite of their different objectives and forms of rule, both the British and the Dutch failed to create the foundations for self-generating economic development, which necessarily institutes effective connections between economic progress and social welfare. But the results of the colonial experience are not based on exploitation, the indifference or insincerity of colonial administrators, the lack of responsiveness to economic incentives on the part of indigenous peoples. Moreover, the results of the colonial experience would not have been better if there had simply been more economic progress. Rather, the colonial experience resulted from the peculiar dynamics of plural economy. There may or may not have been exploitation, however it is defined. Colonial administrators may have been indifferent and insincere, or caring and genuine. Indigenous peoples may have responded to economic incentives in some circumstances, or failed to respond in others. Furnivall's theory of plural economy is able to incorporate any of these factors into its explanation of the colonial experience.

Furnivall's ideas stand, it must be admitted, in opposition to explanations of the failure of colonial rule that are still commonly held. That is, Furnivall explains the colonial experience under conditions in which there was no significant exploitation, in which colonial administrators genuinely tried to improve conditions for indigenous peoples, and in which indigenous peoples responded rapidly to new economic incentives. Furnivall thus offers an alternative to Marxist critics of imperialism, to non-Marxist critics like Leonard Woolf, and to ideas like those expressed by J.H. Boeke in his theory of dual economy. Furnivall also presents an alternative to standard economists' claim that obstacles to the operation of economic markets prevented the economic expansion that would have provided for improved welfare. In Furnivall's analysis, it was the operation of market economics in the plural society that led to the characteristic results of plural economy, not the failure of markets or the lack of economic progress.

Furnivall thus offers a unique explanation of the colonial experience. Moreover, his ideas are made more accessible when placed within a wider intellectual framework that includes the writing of Karl Polanyi and the American institutionalists. To conclude, the theory of plural economy provides important insights into processes of economic and social change, and deserves closer attention from students of economic development.

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APPENDIX

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