

BOEKE'S VIEW OF EASTERN SOCIETY

— With Special Reference to His Critics —

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Today those who characterize the economy of underdeveloped areas by the coexistence of a modern sector and a pre-modern sector within one political unit tend to refer to J. H. Boeke as a pioneer exponent in theorizing this dualism. But his dualism differs from the economic dualism of this sort. Again it differs from the so-called sociological dualism, despite his emphasis on social dualism. By confusing theoretically social dualism with economic dualism, he advocates in effect what is called a socio-economic approach. In spite of Boeke's logical inconsistency abundant in his theorizing, what he was virtually claiming in order to find the real cause of economic stagnation in Eastern colonial society was the importance of making searching inquiry into the structural interrelationship between economic factors and social factors.

INTRODUCTION

Although the name of J. H. Boeke (1884–1956)¹ as a pioneer exponent of the dualistic theory of Eastern society is now quite familiar to us, the significance of his challenging proposition seems to be somewhat obscure. Due to the increased international interest in the political situation and economic development of the Afro-Asian countries since the end of World War II, attention has been drawn to the works of Boeke from the theoretical and

¹ As early as in 1910, in his doctoral dissertation, *Tropisch-Koloniale Staathuishoudkunde: Het Problem*, he puts forward clearly the notion of what he terms 'social dualism' in later years, as follows, "Here there is not one homogeneous society but a native society side by side with a society of foreigners, not one people but a multiplicity of peoples, not one course of development but a clash between two heterogeneous stages of development, not a sense of solidarity but one of ruling and being ruled" (blz. 202). But the main framework of Boeke's dualistic theory is demonstrated in *Dualistische Economie* (1930), his inaugural lecture, as professor of tropical-colonial economics at Leiden after serving in Indonesia for nearly twenty years. (The English version of this inaugural lecture is included in the volume, to which reference is made in foot-note 3.) Finally, Boeke's work mainly referred to in this paper is his *Economics and Economic Policy of Dual Societies as Exemplified by Indonesia* (New York, Institute of Pacific Relations, 1953), which is a product of Boeke's mature period. (This work comprises in one volume the revised second editions of his *The Structure of Netherlands Indian Economy* (1942) and *The Evolution of the Netherlands Indies Economy* (1946). Both *Structure* and *Evolution* are the English translations of Vols. I and II of *Indische Economie* (1940) respectively.)

practical points of view. There have appeared in recent years a number of books and articles referring to Boeke's theory, including, among others, those by Benjamin Higgins, Yoichi Itagaki, and Clifford Geertz.² The tone of their criticism is by no means similar, except in their regarding Boeke in one way or another as a pessimist representing the older generation. We also have *Indonesian Economics: The Concept of Dualism in Theory and Policy* (1961),³ which intends "to present a survey of the discussion on economic dualism, and so to place Boeke's views within their setting in Dutch economic thought."⁴ The stimulating editorial introduction of this book has, ironically enough, made two important points clear, firstly, that "Boeke's dualistic theory actually never found favour in the publications of the Dutch economic theorists,"⁵ and secondly that "the policy of the Netherlands East Indies authorities was not an application of Boeke's specific variety of dualism."⁶ It may be no exaggeration, therefore, to say that those who are acquainted with the controversy on Boeke's theory might regard him as a *Don Quixote*, coming forward alone to denounce the validity of Western economics in the East, and amidst the burst of criticism both inside and outside his native Holland, never taking down his flag of Eastern dualism. The image of a Don Quixote, however, is not uncommon in the careers of heretics, whose heresy often has some significance for our re-thinking of the problem concerned. In the light of the foregoing discussion of Boeke's theory, this paper intends to bring into focus once again the basic notions of his Social and Economic

² As to the criticism by Higgins, Itagaki, and Geertz, see foot-notes 18, 27, 45, 47, 51, and 53 below. As for an article dealing with Boeke's theory at least the following should be mentioned: i) M. Sadli, "Some Reflections on Prof. Boeke's Theory of Dualistic Economies," *Ekonomi dan Keuangan Indonesia*, Djuni, 1957, pp. 363-384 (see foot-note 44), ii) D. H. Burger, "Boeke's Dualisme," *Indonesië* 7e Jg., nr. 3 (Jan., 1954), pp. 177-198 (see foot-note 22), and in Japan, iii) Mikio Sumiya, "Tōnan Ajia ni okeru Kindaika—Sono Soshi-yōin wo megutte—(Modernization in Southeast Asia—with Special Reference to Obstructing Factors—)," *Shisō*, No. 473 (Nov., 1963), pp. 98-106, iv) Tadashi Kawata, "Teikaihatsu-koku no Keizai Kōzō to Kindaika no Kadai—Firipin Keizai no Hattatsu to Sono Tokushitsu wo megutte—(Economic Structure of Underdeveloped Countries and the Task of Modernization—with Special Reference to the Development of the Philippines Economy and Its Characteristics—)," *Keizaigaku Ronshū*, Vol. XXXII, No. 1 (Apr., 1966), pp. 11-26, which deals with the post-war dualism in the Philippines, and v) Kenichi Miyazawa, "'Nijūkōzō Ron' no Zenshin no tameni (For the Advancement of the 'Theory of Dual Structure')," in Hiroshi Kawaguchi et al., *Nihon Keizai no Kiso Kozō* (The Basic Structure of Japanese Economy), Tokyo, Shunjū-sha, 1962, which distinguishes between dualism in Japan and in underdeveloped countries.

³ This is the sixth volume in the series of *Selected Studies on Indonesia by Dutch Scholars*, edited by W. F. Wertheim and others (Hague, W. van Hoeve, 1961).

⁴ *Indonesian Economics*, p. v.

⁵ *Indonesian Economics*, p. 21.

⁶ *Indonesian Economics*, p. 59. It is pointed out by the Editorial Introduction that almost all legal measures of the Netherlands East Indies authorities were based on a sort of dualism, i. e., dualism in terms of ethnic criteria: 'Natives,' 'Foreign Orientals,' and 'Europeans.' (pp. 37-38)

Dualism.

Before proceeding to our discussion, it may be convenient to give a brief sketch of Boeke's basic propositions.

(1) According to Boeke, the specific characteristics of Eastern societies should be grasped in terms of social dualism. "Social dualism is the clashing of an imported social system with an indigenous social system of another style."⁷ In effect, the imported social system is capitalism, whereas the indigenous social system is pre-capitalist rural communities. Here arises his dilemma. While on many occasions he explains capitalism as being an economic system which was established through a process of historical evolution, he tends to stress the pre-capitalist Eastern community as a social system. What is his concept of the social system?

(2) Now a dual society is characterized by not only the dual-existence of imported capitalism and indigenous pre-capitalism but by the clash between them. Moreover, this is a form of disintegration which is village-wide, nation-wide, and area-wide.⁸ A very important aspect of Boeke's theory is the semi-permanent character of this clash. Why does he regard this continuous process of disintegration on the part of Eastern society as if it were a process of one-sided destruction?

(3) While Boeke derives his data mainly from Indonesia, he does not confine dualism to Indonesia. By Eastern society he means South and East Asia, including not only Indonesia and India but also China and Japan, together with the neighbouring countries. By this inclusion of Japan, he tries to deny the relationship between dualism and colonialism.

Furthermore, he, on one occasion, also suggests that dualism exists in Latin America, Africa, Eastern Europe, and Western Asia.⁹ And yet he continues to stress the communal Eastern society as representing an indigenous social system.

(4) By Boeke's definition,¹⁰ Western economics, which has developed along with capitalism, has the following fundamental principles, i. e., "(a) unlimited wants on the part of the economic subject; (b) money economy as the system under which the economic subject lives; (c) many-sided corporative organizations, on which the individuals base their economic activity." On the other hand, the pre-capitalist village communities are characterized by the lack of these principles. Thus he rejects the validity of Western economics in Eastern society.

(5) Boeke's policy proposals as the logical outcome of his social dualism are quite pessimistic as is demonstrated in the title of his work, "Village Restoration." This village restoration proposal which merely looks forward

⁷ Boeke, *Economics*, p. 4.

⁸ Boeke, "Three Forms of Disintegration in Dual Societies," *Indonesië* (Apr. 1954), 7e, pp. 278-295.

⁹ Boeke, *Structure*, p. 5. He even wrote a paper, "A Dualistic Development in Africa," in *Vers la promotion de l'économie indigène: Compte rendu du colloque colonial sur l'économie indigène* (9-13 janvier 1956), Brussels, 1956, pp. 43-49.

¹⁰ Boeke, *Economics*, p. 10.

to the spiritual restoration of the rural masses and the coming forward from these small folk of new leaders with a strong feeling of local social responsibility, was a direct product of his journey to India where Boeke was inspired by Gandhi's movement. A close reading of his various works, however, reveals Boeke's changing attitudes in evaluating the role of rural élites and the relationship between élites and masses in Eastern society.¹¹

I. METHODOLOGICAL CHALLENGE

Western Economics vs Dualistic Economics

What is strikingly impressive in Boeke's theory is his almost total rejection of the applicability of theoretical economics to Eastern society. The theoretical economics Boeke has in mind is that of the Classical and Austrian schools based on the deductive method, with such basic assumptions as *homo economicus*, its principle of 'maximum satisfaction with a minimum effort' and its unlimited economic needs.¹² In his doctoral dissertation (1910)—in other words, from the very start of his heretic career—Boeke insists that *homo economicus* is non-existent in the economic mentality of the natives in tropical colonial societies, and that the problems facing colonial economics are of an entirely different kind from those with which general economics occupies itself, so that colonial economics must have a separate discipline of its own.¹³ In later years, Boeke renames the 'colonial' economics 'dualistic' or 'Eastern' or 'Oriental' economics, maintaining its distinctive character from 'Western' economics.

On one occasion Boeke defines his dualistic economics in the following historical perspective. "Every social system has its own economic theory. A social economic theory is always the theory of a special social system. Even if it announces itself as a general theory still it is historically determined. Therefore the economic theory of a dualistic, heterogeneous society is itself dualistic. It has to describe and to explain the economic interactions of two clashing social systems. Indeed it will be realistic and not pure theory in so far as it has to be based on historical facts, generalizing them in an 'ideal-typical' way."¹⁴ This dualistic economics, Boeke continues, "even will have to be three economic theories combined into one," namely the economic theory of a pre-capitalist society (primitive economics), of a developed capitalist or socialist society (general economic theory), and of the interactions of two distinct social systems within the borders of one society (dualistic economics in the narrow sense).¹⁵ But Boeke does not expound the theoretical framework of either dualistic economics or primitive economics. What he does actually is that he repeatedly stresses the essential difference between Eastern and

¹¹ See the following discussion on 'Possibilities of Eastern Entrepreneurship.'

¹² Boeke, *Staathuishoudkunde*, blzn. 197-198.

¹³ Boeke, *Staathuishoudkunde*, blz. 203.

¹⁴ Boeke, *Economics*, p. 4.

¹⁵ Boeke, *Economics*, pp. 4-5.

Western economics, by illustrating the various peculiarly Eastern phenomena.

For instance, "... anyone expecting western reactions will meet with frequent surprises. When the price of coconuts is high, the chances are that less of the commodities will be offered for sale; when wages are raised, the manager of the estate risks that less work will be done; if three acres are enough to supply the needs of the household a cultivator will not till six; when rubber prices fall the owner of a grove may decide to tap more intensively, whereas high prices may mean that he leaves a larger or smaller portion of tappable trees untapped. Examples might be multiplied indefinitely. This inverse elasticity of supply should be noted as one of the essential differences between western and eastern economies."¹⁶

Boeke goes further and argues that "Western economic doctrines are not, or are only partly, applicable in the Orient: markets, price formation, the theories of demand and supply, of enterprise, of the trade cycle, and so forth—in short all the important problems of Western economic theory—do not present themselves, or at most do so only partially and slightly to Eastern society."¹⁷ There is a basic difference, however, between saying that Western economics has nothing to do with Eastern society and saying that the important problems of Western economics present themselves partially to Eastern society. The former case is obviously untrue in that the world capitalist economy has already got its foothold in Eastern society, as Boeke himself admits.

No wonder this challenging claim by Boeke provoked the orthodox economists and it became the focus of criticism. As an example of thorough and exhaustive criticism, we may refer to Benjamin Higgins' article.¹⁸ According to Higgins, Boeke's emphasis on 'limited wants' and on other characteristics of Eastern society is exaggerated and far from the facts which Higgins observed in Indonesia. He also points out that the phenomenon of "inverse elasticity of supply," stressed by Boeke as being typically dualistic, has long been familiar to Western economics as the backward sloping supply curves of effort and risk-taking.¹⁹ While Boeke condemns the ignorance of contemporary economic theorists about Eastern society, Higgins criticizes Boeke's ignorance of the recent development of modern economics. Higgins concludes that Easterners in their economic behaviour are not intrinsically different from Westerners and Boeke's peculiarly Eastern phenomena are not exclusively the features of Eastern society, but appear under certain conditions in any society. It is Higgins' belief that, as the Italian case clearly demonstrates, dualism is not essentially an Eastern phenomenon, and therefore "its existence is not in itself a barrier to the application of western social theory to underdeveloped areas."²⁰ Hence the editorial introduction of *The Concept of Dualism in Theory*

¹⁶ Boeke, *Economics*, p. 40.

¹⁷ Boeke, *Structure*, p. 4.

¹⁸ B. Higgins, "The 'Dualistic Theory' of Underdeveloped Areas," *Economic Development and Cultural Change*, Vol. IV, No. 2 (Jan., 1956), pp. 99-115.

¹⁹ Higgins, p. 100.

²⁰ Higgins, p. 108.

and Practice, above referred to, is quite confident in stating that "that the conceptual system of modern economics is applicable to phenomena in underdeveloped territories now seems established beyond the slightest doubt."²¹

Methodological Challenge

All in all then, is Boeke's methodological challenge to theoretical economics his misunderstanding or his one-sided exaggeration? The question is not so simple as it appears from what Higgins suggests. First, the difference of impressions about Indonesia between Boeke and Higgins are partly attributable to a time-lag. For the basic framework of Boeke's theory was formed up to the 1920's, whereas Higgins' impressions were obtained in the 1950's. Needless to say, agrarian communities in Indonesia during these periods underwent, in Boeke's terminology, a process of considerable disintegration. This is also the point raised by D. H. Burger in his critical article on Boeke's dualism.²²

Secondly, there is a fundamental difference in methodology between Boeke and Higgins. By insisting on dualistic economics in place of Western theoretical economics, Boeke advocates in effect what might be called the socio-economic approach. Let us quote from Boeke's argument one or two instances which clearly indicate this point of view. In a chapter dealing with the character and fundamentals of communal Eastern society, Boeke begins: "As the village is primarily a social and religious unit, we will discuss the social and religious aspects of the community first. This is really a sociological question, but essential to a proper understanding of what follows. For when we come to the economic aspects of the village, we shall be dealing with economics in the setting furnished by the village community."²³ Boeke is convinced that the sociological aspects are indispensable to the economic aspects, because of the nature of the object of study.²⁴

Next is a distinction between economic needs and social needs, on which Boeke lays special emphasis not only in his dissertation but in all his later works. In Boeke's terminology, economic needs are the needs such as a minimum of food, clothing, shelter and security—needs for the survival of the individual and his family, whereas social needs are the needs which one feels in one's quality as a member of a community—needs for prestige or imitation.²⁵ For example, the Madurese values his bull at ten times as much as his cow, not for its economic usefulness but for his increased prestige at bull races. In pre-capitalist society, Boeke claims that not only are needs limited but social needs predominate over economic. In Boeke's view, this social character of all kinds of needs points to a stage of development,

²¹ *Indonesian Economics*, p. 28.

²² D. H. Burger, "Boeke's Dualisme," *Indonesië*, 7e Jg., nr. 3 (Jan., 1954), p. 195.

²³ Boeke, *Economics*, p. 21.

²⁴ From this view of Boeke's, it is rather misleading to conclude that his concept of dualism is simply sociological. (See foot-note 27 below.)

²⁵ Boeke, *Economics*, pp. 36-39.

which, in economic terms, is comparatively primitive. A distinction between social and economic needs, therefore, becomes vital in distinguishing between the two—pre-capitalist and capitalist—social systems.

Is this argument, however, really plausible? According to Higgins, who criticizes this point by referring to T. Veblen's 'conspicuous consumption' in American society, there is more or less a similar tendency of evaluating social prestige in any Western society.²⁶ Although we are suspicious of the clear-cut manner by which Higgins tends to disregard the difference between the two distinct value systems implied in capitalism and pre-capitalism, we have to admit that Higgins' attack is not groundless because Boeke's argument is too simple.

At any rate, these points suggest Boeke's inclination to the socio-economic approach. On the other hand, Higgins concludes, while admitting that some of existing social and cultural institutions of underdeveloped countries differ from those of the West, that the chief cause of the dualism of these countries is "the interrelationship between factor endowment and techniques of production,"²⁷ and that this economic-technical dualism will be removed by sufficient large-scale capital and technical assistance, big enough as to be called "shock treatment."²⁸ In these diagnostics, a quite optimistic view in estimating the interrelationship between economic, social and cultural factors is clearly expressed. The shock treatment might be successful, but probably with "sacrificing the splendid features of Oriental culture and philosophy" which Higgins admires as being worth preserving.

II. THE PRE-CAPITALIST VILLAGE COMMUNITY AS A SOCIAL SYSTEM

Concept of the Social System

According to Boeke, "it is possible to characterize a society, in the economic sense, by the social spirit, the organizational forms and the technique dominating it." In other words, the 'interrelation of these three aspects' gives the society its system or style.²⁹ This definition at once reminds us of the method by which Werner Sombart constructs his concept of *Wirtschaftssystem*. The phrase 'in the economic sense' in the above quotation indicates that Boeke's concept of the social system is a modified version of the *Wirtschaftssystem*. But Boeke does not explain explicitly whether or not his 'social system' is different from Sombart's 'economic system.' What is the relation of social dualism to economic dualism? Is the latter one aspect of the former? Boeke some-

²⁶ Higgins, pp. 106-107.

²⁷ Higgins, pp. 111-112. See also his "Principles: Theories of Underdevelopment," in *Economic Development: Problems, Principles and Politics* (New York, W. W. Norton & Co., Inc., 1959), Part 4, pp. 265-431, in which he proposes a concept of technological dualism instead of Boeke's 'sociological' dualism.

²⁸ Higgins, "Dualistic Theory," pp. 113-115.

²⁹ Boeke, *Economics*, p. 3.

times stresses the distinction between the terms social and economic, as in the case of social and economic needs. On the other hand, he used to refer to the clash between indigenous pre-capitalism and imported capitalism in Eastern society as representing a clash between two divergent *social systems*, while admitting, in one place, that "pre-capitalism versus capitalism is actually a purely economic antithesis which can be defined only in economic terms."⁸⁰ In like manner, the terms social dualism, economic dualism, and/or social economic dualism are often used as interchangeable. In sum, we can point out that Boeke tends to regard economic dualism as the core of social dualism, but, at the same time, he regards without doubt the pre-capitalist Eastern village as primarily a religious and social community. And yet he is not aware of the gap between these two notions. Here we see the tragic shadows of two great men—Werner Sombart and Max Weber—cast upon a small man.

Now, another aspect of Boeke's concept of social system should be mentioned, that is, the transformation of the pre-capitalist social system into the capitalist social system. In the case of the West, he describes this transformation as the historical evolution of a homogeneous society separated by the transitional form of early capitalism. And in this transitional period there appear, beside early capitalism, the remains of the preceding and the beginning of its future social system. But as long as this is, "a process of endogenic social progression, ultimately homogeneity will appear because one system, be it a mixture, penetrates through all the strata of society."⁸¹ He stresses the development of Western capitalism as a process of *endogenic* evolution in contrast to the imported capitalism in the East. This point of view is certainly very important.

However, it cannot be the reason why capitalism developed in the West or why it did not develop in the East. With regard to the former question, he gives, here and there, a brief but not accurate explanation, mainly borrowing from Sombart. But in regard to the latter, his explanation seems to be rather obscure, because he does not raise the question explicitly. This is probably due to the fact that his principal concern was with the problem of how the East had been forced to undergo the process of disintegration through Western capitalism. On one occasion, however, he declares that "the basic reason for this course of affairs (i. e., the destructive effect on Oriental society of the advent of Western capitalism) was undoubtedly that there was no force for vigorous development operative in the cultures of such Eastern peoples. But the result, *which is what matters for us*, was just as undoubtedly that the development of the West meant the retrenchment and diminishing differentiation of the East."⁸² Why is Boeke so convincing in stating that there was no force for vigorous development operative in the cultures of Eastern peoples? We have to examine his concept of the Eastern village community which typifies the pre-capitalist social system in Eastern society.⁸³

⁸⁰ Boeke, *Structure*, p. 13; *Economics*, p. 19.

⁸¹ Boeke, *Economics*, p. 3.

⁸² *Indonesian Economics*, pp. 172-173.

Image of Eastern Village Community

It goes without saying that in constructing a concept of the original Eastern village community, outside influence—at least Western influence—should be eliminated. But Boeke does not necessarily distinguish the original village community from the one already on the process of disintegration by the contact with the West. Under the headings, 1) the character of Communal Eastern society, 2) some economic categories in the village community, 3) Native Land Tenure and use made of it, he tries to show the basic characteristics of the Eastern social system.

At first, as already remarked, Boeke defines the Eastern village as primarily a social and religious community, and characterizes it by three fundamental principles, genealogical, territorial and communal. (The first and second are not always both present at the same time, but each invariably combines with the third.) What is then the communal basis, apart from the genealogical or territorial basis? According to Boeke, this consists of three elements, 1) religion in a broad sense, 2) agriculture for subsistence, 3) social unity in the sense that the village is an enlarged family household. The third element is, in Boeke's view, 'spiritual.' Thus we come across Boeke's peculiar terminology. For instance, he tells us that "in the act of producing foodstuffs every body is a producer, and each producing family is an independent unit. Among them there is no economic coherence."⁸⁴ But he continues on the next page, "The village is an enlarged family household. Not only the transfer of land, cattle and houses, butchering and harvest, but also marriage, divorce, upbringing of orphans and the supervision of morals are matters of official village concern."⁸⁵ In short, 'no economic coherence in agricultural production,' and yet, the transfer of land and cattle, butchering and harvest are matters of official village concern as if each villager were a member of one enlarged family household.

The summary definition of the Eastern village by Boeke is "a religious community of food-crop cultivators, all or not belonging to the same clan, and ruled by a common tradition."⁸⁶ Here we clearly see that Boeke puts stress on the 'spiritual' unity of a village community. But at the end of this chapter he adds suddenly complementary sentences explaining the communal disposal of land and the communal service.

Next, Boeke tries to analyse the economic categories in village life:

⁸³ Boeke, *Economics*, p. 16. This point of view is clearly connected with his concept of the Eastern city. In his view, the original Eastern city is simply a royal court, a religious or military centre, living as a parasite on the village community. In contrast to the development of cities in the mediaeval West, the coastal cities in the East had no prospect for early capitalism. Even now the Eastern city is a capitalist enclave with an entirely separate life. Hence the urban native élites are classified as Western, differentiating themselves from the rural masses.

⁸⁴ Boeke, *Economics*, p. 25.

⁸⁵ Boeke, *Economics*, p. 26.

⁸⁶ Boeke, *Economics*, p. 27.

predominance of social needs over economic needs (above mentioned), limited economic needs, the self-sufficiency of agriculture, lack of profit seeking, discontinuity of labour, etc. In brief, he seems to enumerate those items as being in sharp contrast to the central premises of Classical economics.

Finally as to native land tenure and land use, Boeke describes fragmentation of land holdings, the spread of landlordism (the situation is rather favourable in Java), the development of share-cropping, the amount of labour required in native agriculture, and lastly touches on the character of native land holdings in Java and Madura, based on the survey data (in 1882, 1922, 1932) concerning the proportion of private (38%, 75%, 76%, respectively) and communal holdings. In other words, Boeke refers mainly to the changing degree of disintegration in communal tenure. In this connexion, it should be mentioned that the so-called communal tenure was strengthened under certain circumstances—e. g., by the introduction of the Culture System in Central Java. This is important in considering the communal tenure in its historical perspective, though Boeke does not refer to this.

From what has been mentioned above, it may now be quite clear that Boeke's image of the *original* pre-capitalist village community in the East is a rather artificial concept, being conceived mainly in contradistinction to his image of Western capitalism where, he thinks, the three fundamental principles of the Classical economics are all-pervasive. In other words, what he is emphasizing here is the clash between the pre-capitalist village community as a *social system* and the imported Western capitalism as an *economic system*. This is the reason why Boeke sticks, above all, to 'limited needs' or 'social needs.'

However, he does not think of the Eastern village community only ideologically but tries to illustrate it by various factual data. But most of these facts reflect the progress of disintegration. As his concept of the pre-capitalist village community is such as mentioned above, it is natural that questions such as why capitalism did not arise in Eastern society tend to go out of his sight. If the continuous process of clash between Western capitalism and Eastern pre-capitalism means a process of disintegration on the part of the Eastern village community, does this process imply simply one-sided destruction? This point is related to what is usually called the problem of Eastern entrepreneurship.

III. EASTERN ENTREPRENEURSHIP VS COLONIAL CAPITALISM

Possibilities of Eastern Entrepreneurship

In dealing with the economic contact between Western capitalism and indigenous pre-capitalism, Boeke begins by the penetration of money economy into the village community. He first distinguishes money traffic from money economy, which means that the whole economic system is based on money.⁸⁷ Accordingly, in the village community facing the penetration of money

⁸⁷ Boeke, *Economics*, p. 67.

economy, money traffic becomes in a dualistic way a serious problem. To make it clear, he distinguishes between two kinds of money, namely 1) village money circulating within the village community, and 2) dualistic money circulating beyond the village limits.³⁸ Now village money, which consists of copper at best, is a means of exchange for villagers having surplus products to exchange via this village money with others' surplus products. On the other hand, dualistic money consists mainly of silver and paper money, and the transactions in it are now almost wholly in the hands of professional traders, money-lenders, Western enterprises, and the colonial authorities. While the amount of village money required is rather stable, the demand for dualistic money fluctuates, depending on the policy of the colonial authorities or the situation of the world market. When the village balance of trade is favourable, dualistic money comes in and is often stored by villagers. But more frequently the balance is adverse, particularly as due to the increasing indebtedness of the rural population.

Here Boeke appears as an impartial observer of reality. He describes how rural masses become poorer as they are involved in money economy, giving various illustrations derived mainly from his rich experience as an advisor to the co-operatives and popular credit service in Indonesia. Accordingly this picture gives us quite a different image from that of the pre-capitalist rural community based on subsistence agriculture. More noteworthy is the way in which Boeke describes how those who are engaged in the transactions of dualistic money are all foreigners. This is because he makes a clear distinction between native professional dealers, money-lenders, native representatives of Western enterprise, and the villagers. Boeke lays emphasis, particularly in his later years, on a distinction between the smaller or larger group of the native upper stratum and the rural masses and regards the former as a sheer offshoot of imported Western capitalism. This is because, in his view, "this stratum has become western, has acquired the capitalistic conception of life, or at least has adopted the habits and customs of capitalistic peoples."³⁹ In the same way, he regards the foreign Asiatics—mainly Chinese—as mere offshoots of western capitalism and sees in them no possibilities of developing early capitalism.⁴⁰ Moreover he even rejects the nationalist leaders as Westernized—"filling western posts, inspired by western economic principles, the members of the autochthonous intelligentsia and aristocracy, who claim the nation for themselves politically."⁴¹ This makes a strange contrast to his view in earlier years—e. g., in his dissertation—when he shows some hope in the native aristocracy as an indispensable intermediary to bring out the possibilities for the development of the rural masses. This peculiar view of

³⁸ Boeke, *Economics*, pp. 68–69.

³⁹ Boeke, *Economics*, pp. 17–18.

⁴⁰ Boeke, *Economics*, p. 15. In this connexion, see Furnivall's opposite view: J. S. Furnivall, *Netherlands India: A Study of Plural Economy*, Cambridge, Cambridge University Press, 1939, pp. 452–464.

⁴¹ Boeke, *Economics*, p. 18.

his relates to his regarding of colonialism as being independent from economic dualism.

Colonial Capitalism vs Native Entrepreneurship

When Boeke deals particularly with European capital applied 'in the exploitation of overseas territories,' he points out three kinds of capital, namely, 1) 'trade capital,' 2) 'industrial capital,' and 3) capital invested in the colony. He regards the third and most recent kind of capital as the most important, naming it 'colonial capitalism.' In the case of Indonesia, he even asserts that it has chiefly determined colonial policy since about 1860.⁴² And yet he does not agree with the view that dualism and colonialism are closely related.

"Hitherto," says Boeke, "economic dualism and colonialism have been confused by identifying capitalistic interests with foreign domination." Boeke tries either to ignore the relation between economic dualism and colonialism or to estimate it as low as possible.⁴³ According to Boeke's assertion, colonialism is non-existent in the core of economic dualism in Japan. In India or Indonesia, dualism still remains after they have attained independence. Thus in India, as well as in Japan "sharply differentiated classes, castes, representing the principles of capitalism, may be distinguished in clear contrast to the pre-capitalistic masses, though both groups belong to the native population."⁴⁴ It is by no means appropriate, however, to regard the Japanese rural masses in the post-land reform period after the war, simply identifying them with those of India, as pre-capitalistic. But Boeke's notion of including Japan in Eastern dualistic society is expressed as early as in his inaugural lecture (1930), while in pre-war Japan the dual structure theory of Japanese capitalism based on the semi-feudal rural society was prevalent. If applying the dualism to pre-war Japan, we have to reply to Boeke. Roughly we will point out at least the following four points: 1) Dualism was less serious in Japan, because of the non-existence of foreign domination, and the rural society was perfectly propped as an indispensable part of the national economy accelerating capital formation within the national framework, not as a clashing part in the society, as in other Southeast Asian countries. 2) We should be cautious not to identify what is called semi-feudalism in pre-war rural Japan with pre-capitalism in rural Indonesia or India. 3) Strictly speaking it is not correct to define Japanese capitalism as imported. Before the Meiji Restoration (1868) Japan had developed a considerable extent of commercialization which provided her social and economic basis for capitalism. 4) Finally, the fact that dualism in Japan has nothing to do with foreign rule does not deny the relationship between Eastern dualism and colonialism. Moreover, it is sheer nonsense to deny the relationship between colonialism and dualism because

⁴² Boeke, *Economics*, p. 195.

⁴³ "Indonesian opponents simply believe that Boeke was providing a good theoretical excuse to perpetuate colonial policy in the then Netherlands Indies." Sadli, p. 383.

⁴⁴ Boeke, *Economics*, pp. 18-19.

of the latter's continued existence in the newly independent Asian countries.

Contrary to this, it is Y. Itagaki's view⁴⁵ which stresses this relationship. According to Itagaki, Boeke's imported capitalism should be defined as colonial capitalism, and owing to the very nature of it, 1) released from the binding force of a "common social will," profit-seeking economic activities present themselves in an unlimited cruel way in the colonial society,⁴⁶ 2) colonial capital backed by colonial authority exclusively occupies the central key parts of colonial economy, and 3) thus the political and economic disequalizing factors built in colonial capitalism perpetuate the oppressed status of native peasants and unskilled labourers by checking their active energy and hindering their participation in better economic opportunities.

Perhaps we can make this picture a little more realistic by adding the aspect of social stratification of the natives peculiar to colonial society. This point relates to C. Geertz's argument. The problem put forward by Geertz is, in my terminology, that imported capitalism *may* under certain conditions stimulate the advent of a capitalist middle class out of the traditional social structure.⁴⁷ This was the case, according to Geertz, with the sugar-cane growers having slightly larger holdings in a district of Central Java during the boom years of 1920's preceding the Great Depression. In this case, imported capitalism was represented by the Dutch sugar plantations on the spot. As the fact that the sugar plantations brought about the direct and wider influences on Javanese rural society is well-known, we are not going into the details of the picture presented by Geertz, except that he sees in it a collection of some important elements, similar to those which accompanied development in the 16th and 17th century England: "rising prices, a moderate decline in real wages, higher rents, increasing technical efficiency, consolidation of landholdings and enclosure (i. e., of the so-called waste land), and at least the beginning of a genuine rural middle class of slightly larger holdings."⁴⁸

But the possibility was not realized. Geertz attributes this failure primarily to three facts, 1) the short-lived boom and the subsequent depression, 2) the policies of the Dutch plantation companies and of the Dutch colonial government, and 3) the deeply-rooted indigenous culture pattern.⁴⁹ (In my terminology, these factors can be expressed as (1) world capitalist market, (2) colonial capitalism, (3) pre-capitalist culture.) As to the second point, Geertz

⁴⁵ Yoichi Itagaki, "'Nijū Keizai Riron' no Hihan to Tenkai (A Critical Interpretation of 'Dualistic' Economic Theory)," in *Ajia no Minzokushugi to Keizai Hatten—Tōnan Ajia Kindaika no Kiten*—(Asian Nationalism and Economic Development: The Starting-point of Modernization in Southeast Asia), Tokyo, Tōyōkeizai-shimpō-sha, 1962, Chapter V, pp. 167-190.

⁴⁶ A similar view is expressed by Furnivall, see foot-note 40.

⁴⁷ C. Geertz, "Capital-Intensive Agriculture in Peasant Society: A Case Study," *Social Research*, Vol. XXIII, No. 4 (Winter, 1956), pp. 433-449.

⁴⁸ Geertz, p. 440.

⁴⁹ Geertz, p. 441.

finds an inherently self-contradictory character of the policy pursued by the plantations: "They needed to keep Javanese society flexible enough so that its land and labor could be employed toward the production of goods saleable in international markets, yet they also needed to keep it rigid enough to prevent it from changing in a capitalist direction and thereby raising their wages and rent costs."⁵⁰ As a result, "the plantations encouraged the formation of a very large partial proletariat composed of worker-peasants who were neither wholly on the pre-capitalist nor wholly on the capitalist side of the dual economy."⁵¹ According to Geertz, this policy is the result of "a peculiar form of socio-cultural contact that may legitimately, and without name calling, be termed imperialist or colonial."⁵² In this respect, the policy of the Dutch colonial government was in the long run not different in the nature of its effects upon the Javanese rural structure, although it did not always keep pace with the policy of the plantations. And so far as the formation of a class of worker-peasants who moved uneasily back and forth between the pre-capitalist and the capitalist sides was concerned, this was by no means peculiar to Indonesia, but a familiar scene elsewhere, say, in the native reserves of British colonies such as Southern Rhodesia or Malaya. This is the one important aspect of what we call the social stratification peculiar to colonies.⁵³

Now the third point is regarded as related to the traditional value system based on the social and ecological conditions and the most important by Geertz. The would-be rural entrepreneurs referred to earlier mostly belonged to the social and religious group called *Santri*, consisting of pious Moslems under the influence of the Modernist movement and with the outlook adequate to economic rationalism.⁵⁴ But, under the circumstances already mentioned, "why did not the *Santri* pattern of agriculture grow stronger?"⁵⁵ To this, Geertz answers that "the *Santris*, particularly the rural ones, are, after all, Javanese," still deeply affected by "the old values of inter-familial cooperation, of restraint of individual aggressiveness." "They were unwilling to exploit the available labor and not prepared to become a rural landlord."⁵⁶

However, Geertz also recognizes that the traditional outlook of peasants would be preserved, "if the social and ecological conditions within which

⁵⁰ Geertz, *The Social History of an Indonesian Town*, Cambridge, Mass., M. I. T. Press, 1965.

⁵¹ Geertz, *Social History*, p. 46.

⁵² Geertz, *Social History*, p. 53.

⁵³ See, for instance, my article on Southern Rhodesia: "Minami Rōdesia," in Hiroshi Shishido ed., *Afurika no Nashonarizumu no Hatten-I*-(The Growth of African Nationalism-I), Research Report Series No. 24, Tokyo, Institute of Asian Economic Affairs, 1962, Chapter 5, pp. 187-266.

⁵⁴ C. Geertz, "Religious Belief and Economic Behavior in a Central Javanese Town: Some Preliminary Considerations," *Economic Development and Cultural Change*, Vol IV, No. 2 (Jan., 1956), pp. 134-158.

⁵⁵ Geertz, "Religious Belief," p. 148.

⁵⁶ Geertz, "Religious Belief," p. 149.

they found themselves were capable of supporting it.”⁵⁷ Then are the social and ecological conditions more basic? But, as indicated by Geertz, these conditions are again the correlates of colonial capitalism. In sum, it would be almost meaningless to regard the above three facts which terminated the fate of indigenous entrepreneurship in the colonial society in the past as independent variables.

In conclusion, what is needed for us now may be not only to recognize, as Geertz stresses, that economic planning for those countries which have inherited social and economic dualism from the colonial past demands a more positive treatment of such social and cultural factors than the one which merely regards them as a residual barriers to be overcome,⁵⁸ but also to try to clarify the structural interrelationship between economic, social and cultural factors. This problem is exactly what Boeke was vainly trying to emphasize and solve.

⁵⁷ Geertz, “Capital-Intensive Agriculture,” p. 441.

⁵⁸ Geertz, “Capital-Intensive Agriculture,” p. 435.