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The plural economy and its legacy in Asia

The concept of the plural society was introduced into the development literature by J.S. Furnivall, a member of the Indian civil service who worked in Burma for a number of years and then carried out research into the Dutch colonial system in the Netherlands Indies in the 1930s. In his influential comparative study of Burma and the Netherlands Indies, he argued that by the early decades of the twentieth century European colonialism had created a very different type of society from that which existed in Europe at that time, or had existed in precolonial Southeast Asia. He argued the following:

> [T]he western superstructure is only one aspect of a distinctive character, common to all tropical dependencies, that cannot fail to impress even the most casual observer; the many coloured pattern of the population. In Burma, as in Java, probably the first thing that strikes the visitor is the medley of peoples – European, Chinese, Indian and native. It is in the strictest sense a medley, for they mix but do not combine. Each group holds by its own religion, its own culture and language, its own ideas and ways. As individuals they meet, but only in the market place, in buying and selling. There is a plural society, with different sections of the community living side by side, but separately, within the same political unit. Even in the economic sphere there is a division of labour along racial lines. Natives, Chinese, Indians and Europeans all have different functions, and within each major group subsections have particular occupations. (Furnivall 1948:304-5.)

In an earlier essay, Furnivall pointed out that the plural society came into being because the only factor common to all the ethnic groups in colonial Southeast Asia was an economic one. This in turn was the result of the overwhelming importance accorded to economic interests in the territories the European colonial powers controlled (Furnivall 1945:171). In this sense the plural society and the plural economy were one and the same thing. Furnivall probably viewed the plural society and economy as essentially the result of colonial economic policies, although he admitted that traces of a plural society were evident in several societies outside the tropical world including Canada, the USA, and South Africa. He also argued that in these countries, and in Australia and New Zealand, 'when the influx of alien elements threatened national life', restrictions were placed on in-migration. By the second decade of the twentieth century, some colonial regimes in Southeast Asia, including the Dutch in the Netherlands Indies and the Americans in the Philippines, were also seeking to control in-migration from China in particular, although British policy in both Malaya and Burma was more *laissez-faire*, with respect to both Chinese and Indians. But by then main features of the plural society were already entrenched.

The precolonial economy of Southeast Asia

Furnivall tended to contrast the plural society that had emerged in colonial Southeast Asia with a precolonial economic and social system where most people lived in rural villages, and social and religious factors were far more important in people's lives than economic ones. In his view, culture and community dominated in precolonial society, whereas impersonal market systems imposed from outside featured much more prominently in colonial society (Furnivall 1945; Rex 1959:116). But in recent years, historians have begun to view the precolonial economies of Southeast Asia in a rather different light.

Anthony Reid (1993) has called the years from 1450 to 1680 the 'age of commerce' in Southeast Asia, a period characterized not just by increased international trading links but also the growth of cities throughout both mainland and insular Southeast Asia, and a considerable expansion of domestic entrepreneurial and trading activity. The urban areas of Southeast Asia at this time were not just trading centres but also the conduits through which both religious and secular ideas from many countries filtered into domestic societies. Populations were mixed, with indigenous people associating freely with traders from the Middle East, South Asia, and China. Several of these cities including Aceh, Banten, and Brunei contained at least one fifth of the total population under the control of the states where they were located. In Southeast Asia as a whole at least five percent of the population was living in large urban trading centres. This was a larger proportion than in contemporary northern Europe, although probably not larger than in Mughal India or China at that time (Reid 1993:75).

In spite of the relatively high level of urban development in Southeast Asia in the seventeenth century, there were several areas where the region was still well behind other parts of Asia, as well as Europe. Banking in its modern form, as distinct from traditional money lending, was unknown; in addition the impersonal institutions to safeguard capital and property that were developing in Europe were 'totally absent in Southeast Asia' (Reid 1993:129). Reid argues that the close links between rulers and the marketplace that characterized much of precolonial Southeast Asia made the evolution of individual property rights difficult throughout the region, in contrast to late medieval Europe, and to Tokugawa Japan. On the one hand, many members of the political elite were involved in trade and commerce, which made them more sympathetic to such activities than their counterparts in other parts of Asia or indeed in parts of Europe might have been (Reid 1993:270). But, on the other hand, a robust independent class of indigenous traders and entrepreneurs, protected by an impartial legal system, was unable to emerge.

The reasons for the collapse of the powerful Asian trading port cities were complex, and varied by time and place. In the Indonesian archipelago, the Dutch would not have been able to destroy centres such as Banten and Makassar if there had been more trust, and greater willingness, to form durable alliances between the various indigenous kingdoms. Aceh and several trading cities in mainland Southeast Asia did not fall under Dutch control, but they disengaged from the regional and global trading system because they no longer found such activities profitable, or because their rulers wanted their populations to concentrate on foodcrop cultivation (Reid 1993:299-301). Other factors such as climate change may also have contributed towards the demise of the age of commerce in the region by the end of the seventeenth century. What does seem clear is that by 1700 the main Asian-ruled trading cities had 'lost their place both in world trade and within their societies' (Reid 1993:328). Not only did regional and global trading links become attenuated, but the outward-looking, cosmopolitan, urban centres underwent a steady decline.

The emergence of the plural economy

The eighteenth century saw the growth of several port cities such as Batavia (now Jakarta) and Manila that were under the control of European powers, and from which the tentacles of foreign domination stretched out to the hinterlands. But the total urban population in Southeast Asia almost certainly declined, and there can be little doubt that this century saw a retreat from the market into a subsistence agricultural economy in many parts of the region. In addition it also witnessed the beginnings of an economic system where ethnicity and economic role were more tightly linked. In most parts of Southeast Asia, the emergence of the plural economy was inextricably connected to the growth of resident Chinese, and to a lesser extent Indian and Arab, populations. During the 'age of commerce', the Chinese were just one of several trading minorities active in the larger port cities, and they mixed with both indigenous and other trading groups without appearing to dominate. But by the eighteenth century their numbers had grown, mainly because economic and demographic pressures in China itself were pushing more Chinese into trading and commercial ventures in Southeast Asia, as well as into less skilled occupations such as agricultural labour (Reid 2001:50).

The European-controlled port cities held many attractions for Chinese traders in the eighteenth century. They were important sources of valuable commodities and precious metals, especially silver, which were much in demand in China, and they provided a 'stable environment in which Chinese could grow wealthy and even influential without ceasing to be Chinese' (Reid 1993:317). But probably the single most important development that led to the sharp functional separation of economic activity by an ethnic group was the introduction of tax farming, which was initiated by the Dutch in Batavia in the seventeenth century, and which spread to various native states in Java, Siam (Thailand), and Cambodia over the next century (Reid 1993:318-9). Tax farming, or the system whereby the right to collect revenues on behalf of the government is sold or auctioned off to private individuals, is as old as antiquity and was widely found in the early-modern period in both Europe and Asia (Copeland and Godley 1993). In Southeast Asia it was quite widely practiced in the eighteenth century and grew rapidly after 1820 (Butcher 1993:20-1). The system permitted rulers to withdraw from commercial concerns while at the same time giving private merchants, often Chinese, considerable economic power and social prestige without threatening the position of the rulers. Reid suggests that it was perhaps no accident that those ethnic groups in Southeast Asia where the entrepreneurial spirit best survived into the twentieth century were located in remote regions where Chinese tax farming did not penetrate or where religious and cultural hostility to tax farming made local rulers reluctant to adopt it.

The nineteenth century saw further growth of European-controlled port cities, and by the 1890s there were a number of port cities in mainland and island Southeast Asia with populations in excess of 50,000, including Rangoon and Moulmein, Bangkok, Singapore, Batavia, Semarang, Surabaya, Palembang, Saigon-Cholon, and Manila. In addition, some inland cities, several of which had been important in the precolonial era, including Mandalay, Yogyakarta, Surakarta, and Hanoi had become important centres of colonial administration and trade by the turn of the twentieth century. But the nineteenth century was a period of quite rapid population growth in much of Southeast Asia and several scholars have pointed out that it is probable that urban populations actually declined relative to total populations in many parts of the region (Reid 2001:55).

Certainly the European colonial powers were not in favour of rapid migration of indigenous populations to urban areas, and neither was the governing elite in Siam, where it has been claimed that the 'court helped to develop urban Siam as a Chinese preserve' (Phongpaichit and Baker 1995:174). But it would be false to claim that urban populations were always overwhelmingly European and Chinese or Indian. In Javanese cities, indigenous Indonesians were in the majority by 1890, and this continued to be the case until the end of colonial rule (Boomgaard and Gooszen 1991:220-1). But in Bangkok it has been estimated that by the 1850s Chinese outnumbered indigenous Thai by two to one, and Chinese immigration accelerated from the 1860s onwards as the demand for urban labour increased. The government was also an important source of employment for Chinese workers, especially on railway construction, while the port of Bangkok became 'virtually a Chinese preserve' (Phongpaichit and Baker 1995:174-5). In Rangoon where Indian immigration had accelerated since the late nineteenth century, the 1931 census found that Indians comprised 53 percent of the population. They were almost eleven percent of the population in Lower Burma as a whole. Only 32 percent of the population of Rangoon consisted of indigenous Burmans (Baxter 1941:9-21).

After 1900, the division between the newly arrived Chinese and the established families became more pronounced, not only in areas that had absorbed Chinese migrants for centuries, such as Java, but in other parts of Southeast Asia as well. Many children from the latter group began to assimilate; they ceased speaking Chinese dialects, learnt local vernaculars as well as Dutch, English, or French, and in many cases gravitated towards salaried jobs. As educational opportunities increased for Chinese, especially in the Netherlands Indies and British Malaya, they were, as Rush (1991:24) and Mackie (1991:89) have pointed out, attracted to the 'genteel professions' rather than the hurly-burly of commerce, although many who lacked the ability or the opportunity to learn the languages of the colonial powers stayed in unskilled labouring occupations. In addition, there were many new arrivals from China, mainly single men, who became coolie labourers, itinerant pedlars, and artisans. By the 1930s the Chinese in the Netherlands Indies, the Straits Settlements, the Federated Malay States (FMS), and Siam were spread across a variety of occupations; in all these territories the majority were in nonagricultural occupations, although over 40 percent were in agriculture in the islands outside Java and in the FMS, mainly as plantation labourers (Table 1).

The relative lack of interest in commercial careers on the part of the *peranakan* (assimilated) Chinese in late-colonial Netherlands Indies led Williams (1952:34) to argue that 'the Chinese in Indonesia did not achieve entrepreneurship'. His thorough survey of the evidence from the interwar years led him to the conclusion that the Indonesian Chinese were unable, or at least unwilling, to extend

Table 1. Percentage distribution of the Chinese in the labour force by sector, 1930s

Sector	Java 1930	Outer Islands 1930	Straits S'ments 1931	FMS 1931	Thailand 1937	Philippines 1939
Agriculture	9.1	44.7	17.2	41.5	25.4	1.8
Manufacture	20.8	19.5	17.6	27.3	20.3	14.3
Transport	2.8	2.6	12.5	3.4	3.9	1.3
Commerce	57.7	23.2	23.3	12.2	34.9	53.7
Public Service	0.5	0.7	0.2	0.1	1.2	0.2
Professions[a]	2.1	1.2	2.3	1.2	1.2	3.6
Personal, etc.	6.9	8.2	26.8	14.4	14.2	25.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

[a] Includes clerical workers

Sources: Indonesia: Department of Economic Affairs 1936, VIII:Table 18; Thailand: Central Service of Statistics c.1946:75; Straits Settlements and FMS: Vlieland 1932:Tables 126, 134; Philippines: Commonwealth of the Philippines 1941:505-21.

their commercial and industrial enterprises beyond the 'limits imposed largely by tradition' (Williams 1952:55). Certainly there were exceptions, the most famous of whom was the 'sugar king' Oei Tiong Ham, who built up a large conglomerate based mainly on plantations in the early part of the twentieth century (Yoshihara 1989). In an official handbook listing all firms operating in the colony in 1940, the Oei Tiong Ham concern, including both sugar and banking interests, was by far the largest Chinese company, and the only Indonesian Chinese business, apart from the Overseas Chinese Banking Corporation, with assets in excess of 40 million guilders (Twang 1998:Table 2.3).

Based on official data and interviews, Twang (1998:Table 2.3) assembled a list of the large Chinese firms operating in Java and Sumatra in 1940. Most were either in agribusiness, or in trade and banking. Few were in manufacturing, apart from agricultural processing. Several large Chinese companies were still exploiting the so-called privately-owned lands (*particuliere landerijen*), mainly in West Java, which had been in Chinese hands for many decades, in spite of Dutch attempts to expropriate the Chinese owners in the early twentieth century (Twang 1998:33). There were many medium and small-scale enterprises, some in manufacturing, and by no means all were Chinese-owned. In the 1920s, a government survey conducted in the Netherlands Indies showed that there were almost 1,700 Chinese-owned industrial firms employing more than five people, compared with 2,800 European firms and 870 owned by indigenous Indonesians (Fernando and Bulbeck 1992:254-9). But all these numbers pale into insignificance when compared with developments in other parts of Asia (especially Japan) at the same time. Prominent though the Chinese might have appeared in the commercial life of the Netherlands Indies, and in other Southeast Asian cities in the 1920s and 1930s, they were hardly laying the foundations for an industrial take-off.

The 'problem' of native entrepreneurship

Like many other colonial administrators in different parts of Asia, Furnivall (1948:293) recognized that the 'development of native enterprise must be a chief object of policy in any dependency which is valued as a market for the products of the colonial power'. He argued that subsistence producers should be brought into the market economy, if necessary by imposing taxes that had to be paid in money, and was in favour of inducements to encourage indigenous cultivators to grow export crops, and of expanded credit to native producers, even where this meant borrowing on the security of crops. Again like other colonial administrators, Furnivall's views were at least partly motivated by a desire to create larger and more dynamic markets for metropolitan manufactures in the colonies. But at the same time he was well aware of the debates in various colonial regimes in Southeast Asia concerning the desirability of exposing indigenous producers to the full blasts of global capitalism. The great majority of colonial officials would have been unaware of the precolonial economic history of the regions they were controlling, and even if they had realized that there had been an 'age of commerce' in the sixteenth and seventeenth centuries, they would no doubt have argued that the world economy in the early twentieth century was very different from that four centuries earlier, and while the rewards of involvement in international commerce were great, so were the dangers.

The Dutch in particular debated endlessly the extent to which indigenous Indonesians were being incorporated into the 'Western sphere' of economic influence, the factors which promoted or inhibited such incorporation, and its effects on the economic and social welfare of the population. The views of J.H. Boeke (1953) on these issues were well-known in the English-speaking world, and some scholars have tended to treat them as the 'official' Dutch view of the entrepreneurial capacities of indigenous Indonesians. As such, they were much criticized in the postindependence period by writers such as Higgins

(1956) and Sadli (1971). But Boeke's views underwent considerable change in the course of his long career and certainly cannot be considered typical of the Dutch colonial establishment as a whole. Some of his earlier writings certainly shared similarities with the concept of the plural society, especially as they made a sharp distinction between the economic and social needs of indigenous Asian populations (*Indonesian economics* 1961:11). But other Dutch officials held different views: for example, Dutch agronomists working intensively in the agricultural sector of Java and other parts of the country, whose conclusions were grounded in detailed fieldwork, often viewed the problems facing Indonesian farmers as similar to those in other parts of Asia, and in precapitalist Europe (*Indonesian economics* 1961:15-7).

In his study of the formation of occidental stereotypes of the 'Malay character', Alatas (1977:112) pointed out that 'the general negative image was not the result of scholarship'. Most of those who proclaimed the indigenous peoples of Southeast Asia to be indolent, dull, treacherous, childish, and lacking any talent for, or interest in trade and commerce, were either colonial officials, planters, military people or casual tourists. And yet, as Alatas concedes, even in the high noon of Western imperialism there were some who were prepared to admit that these alleged features of the 'Malay national character' were by no means universal, and, where they were widely found, had quite rational economic foundations. By the early twentieth century, most colonial scholars and policymakers in the Netherlands Indies, and in other parts of the region as well, would doubtless have concurred with Van Gelderen (1961:144), that 'the inhabitant of the tropics is further removed from the classical homo economicus than the Westerner', but at the same time the reasons for the apparent lack of 'rational economic behaviour' on the part of the indigenous population in the Netherlands Indies were much disputed.

Some colonial officials were certainly content to ascribe this perceived lack to culture, religion, and the climate, but others thought differently. In 1941, Van der Kolff, who held the chair of economics in the Batavia Law School, published a remarkable paper that argued that to the extent that Indonesians, especially Javanese, adopted short-time horizons and were unwilling to invest in risky operations that would yield results only in the longer term, they were ignorant, poor, and insecure, rather than irrational. It was, according to Van der Kolff (1961:247), poverty and insecurity that led to practices such as *ijon* (Javanese, selling the crop while still immature), and such behaviour was perfectly rational given the constraints within which many Javanese had to make decisions on consumption, saving, and investment. Other writers also stressed the economic rationality of farmer behaviour in the more land-abundant parts of the region, such as British Malaya. It was argued that the Malay reluctance to work for wages did not reflect an aversion to effort or a lack of desire for a cash income, but rather the fact that with relatively abundant supplies of land they could earn more in agriculture than as unskilled workers in the city. As Winstedt, a prominent British official in Malaya in the interwar years, pointed out, 'because he is an independent farmer with no need to work for hire, the Malay has got an undeserved reputation for idleness, which his Asiatic competitors take care to foster' (Alatas 1977:50).

Views of Malay idleness would not have been universally held, although there would certainly have been greater agreement on a further assertion of Van Gelderen's (1961:147) that the indigenous cultivator was likely to be exploited in his or her dealings with the market economy because of the 'great difference in bargaining power between the buyer on the one hand and the seller on the other'.

> The buyer usually has both superior knowledge of the market situation and greater possibilities to reach and make use of more than one local market. This preponderance is even greater if the buyer is the only one, or one of a very small group of competitors, as against a larger number of persons offering the commodity for sale. In such a case it is very easy for a monopoly or semi-monopoly situation to develop, so that the local price of a commodity is forced downwards. Another factor producing the same effect is the vast difference in the value of the same unit of money for the two parties to the transaction [...]. In many cases, in fact, the normal situation is one in which the necessity to sell is so urgent that what takes place is actually a forced sale. (Van Gelderen 1961:147)

The underlying implication was, of course, that the monopsonistic middlemen were almost always Chinese, and it was their superior knowledge and bargaining power that led to the exploitation of the indigenous producer. Regardless of the truth or otherwise of these assertions it is indisputable that they were held by many Dutch colonial administrators, as well as by many indigenous Indonesians. Indeed, George Kahin (1952:64-74) argued that the rapid growth of the Sarekat Dagang Islam, formed by Raden Mas Tirtoadisoerjo in 1909 into a political-nationalist movement, was in large part due to 'sharp Chinese trading practices' on the part of 'aggressively competitive Chinese entrepreneurs' whose commercial power had increased as a result of the gradual lifting of travel restrictions between 1904 and 1911. The Sarekat Islam attracted 'an avalanche of members' (Kahin 1952:67) and galvanized anti-Chinese feelings to the point where, in 1912, there were anti-Chinese riots in both Surakarta and Surabaya.

Outside Java, although the Chinese presence was larger relative to the indigenous population, some indigenous business groups did emerge in the last phase of the Dutch colonial era. Peter Post (1997:93-103) has described the rise of a group of Sumatran traders who were able to establish themselves in

Java, and built up quite extensive trading links with other parts of Asia, especially Japan. Several had close ties to leaders of the independence struggle, particularly Mohammad Hatta, and accompanied him on a trip to Japan in 1933. The Japanese were keen to build up a network of indigenous traders in the Netherlands Indies for products such as textiles, especially as Japanese products were increasingly subject to boycotts by Chinese merchants. These links were strengthened during the Japanese occupation, and some of the Sumatran traders survived to play an important role in the early postindependence era.

Paradoxically in spite of the Dutch concern about the ability of the Javanese to participate in the 'modern economy', native Javanese accounted for a higher proportion of the nonagricultural labour than was the case in most other parts of the region (Table 2). Although it may have been true that many jobs in the nonagricultural labour force occupied by Javanese in the 1930s were in unskilled labour, petty trade, and cottage industry, they also outnumbered both Chinese and Europeans in professional occupations and in the civil service. Even in trade, where the Chinese were certainly important, their numbers were only around 12 percent of indigenous workers in Java and 37 percent in the Outer Islands (the islands outside Java) (Table 3). By the 1930s it would appear that many indigenous Indonesians were availing themselves of a greater range of economic opportunities than were other Southeast Asians, or indeed the indigenous populations of Japanese-occupied Taiwan and Korea. Certainly it is arguable that many were forced into nonagricultural occupations by the growing scarcity of agricultural land. But whether out of choice, or through desperation, indigenous Indonesians were moving into new occupations and accepting new challenges, both as employees and as self-employed business people. According to the 1930 census, in Java alone almost 500,000 indigenous Indonesians were employed in professional occupations and in government service, while a further 900,000 were in trading occupations (Department of Economic Affairs 1936:Table 18).

In order to get a broader picture of the development of indigenous participation in the nonagricultural labour force, it is instructive to compare developments in the Netherlands Indies with those in the Philippines. Although the Chinese were not in fact a much smaller proportion of the total population in the Philippines than in Java (Table 4), the American administration did not seem to be nearly as anxious about their economic role as were the Dutch. Certainly the Americans were keen to build up a robust indigenous entrepreneurial class in the Philippines, and viewed education as a key policy in achieving this goal. They facilitated the development of both secondary and tertiary education to a much greater extent than in any other Asian colony (Furnivall 1943:111). But other aspects of American policy were less conducive

Table 2. Indigenous labour force as a percentage of the total labour force, circa 1930

	Indigenous workers as percentage of:		
	Total labour force	Agricultural workers	Non-agricultural workers
Java (1930)	98.2	99.7	95.5
Outer Islands of Indonesia (1930)	94.7	97.1	85.2
Straits Settlements (1931)	16.9	38.8	7.8
FMS (1931)	19.9	27.5	7.4
Burma (1931)	87.9	94.7	72.4
Philippines (1939)	98.6	99.7	97.9
Thailand (1937)	94.5	98.1	66.7
Korea (1930)	96.9	99.6	87.2
Taiwan (1930)[a]	92.3	99.5	80.1

[a] Refers to male labour force only.

Sources: Indonesia: Department of Economic Affairs 1936, VIII:Table 18; Thailand: Central Service of Statistics c.1946:75; Straits Settlements and FMS: Vlieland 1932:Tables 121-141; Burma: Baxter 1941:25; Philippines: Commonwealth of the Philippines 1941:505-21; Korea: Chang 1966:Table 2; Taiwan: Barclay 1954:71.

to the development of indigenous entrepreneurs. Norman Owen (1972:52) pointed out that when the Americans arrived in 1898 there was very little large-scale Filipino manufacturing. The advent of a free-trade regime with the USA, together with an overvalued peso, made investment in Philippine industry unprofitable outside export processing. Because several of the key politicians who emerged in the run-up to self-government were connected to, and dependent on, the sugar sector, there were few advocates for rapid industrialization. Much of the large-scale manufacturing industry that did emerge was controlled by foreign interests, either American, Chinese, or Spanish. This was also true of commercial banking.

The Chinese dominated internal trade in the Philippines, especially retailing, and also participated in wholesaling and importing, as indeed was the

Table 3. Indigenous and Chinese labour force by sector, Indonesia 1930

Sector	Indigenous labour force by sector		Indigenous as percentage of the total labour force		Chinese as percentage of indigenous labour force	
	J.	O.I.	J.	O.I.	J.	O.I.
Agriculture	65.3	81.6	99.7	97.1	0.2	2.7
Industry	11.5	7.7	97.4	88.2	2.3	12.4
Transport	1.4	1.4	93.2	89.0	2.5	9.1
Trade	6.3	3.1	87.9	70.1	11.6	36.6
Professions	0.7	0.7	89.1	87.4	3.6	7.9
Government	2.6	2.0	95.5	94.6	0.3	1.8
Other	12.1	3.5	98.9	89.0	0.7	11.5
Total	100.0	100.0	98.2	94.7	1.3	4.9

Note: Agriculture includes hunting, fishing, forestry, mining, and salt manufacture. Government service includes police, army, and navy. J=Java, O.I. = Outer Islands.

Source: Department of Economic Affairs 1936,VIII:Table 18.

case in many other parts of Southeast Asia. Foreign observers such as Kenneth Kurihara (1945:11) emphasized the lack of involvement of indigenous Filipinos in large-scale manufacturing, and argued that the 'Philippine experience was no different from that in European dependencies or in independent countries which, economically, occupy a semicolonial status'. His analysis of the 1939 census data on employment showed that most workers engaged in manufacturing were employed in traditional labour-intensive industries such as embroidery, dressmaking and tailoring, hatmaking, carpentry, native textiles, shoe and slipper manufacture, matmaking, and cigarette manufacture (1945:16-7). Many women were employed as homeworkers on a putting-out basis. Few workers were learning new skills in factories using modern technologies, and even fewer were learning how to manage large-scale enterprises, whether in manufacturing or in other sectors of industry and commerce.

While Kurihara's criticisms were broadly correct, there is evidence that Filipinos were, by the late 1930s, controlling a higher proportion of nonagricultural assets in the economy than was the case in other Asian colonies. Frank Golay (1969:Table 1) used the 1939 census data to estimate that Philippine

Table 4. Breakdown of colonial populations by ethnic background, 1930s

Colony	Europeans/ Japanese/ Americans	Chinese	Other Asians	Indigenous
Taiwan (1935)	5.2	1.1[a]	n.a	93.7
Korea (1939)	2.9	0.2	n.a	96.9
Indochina (1937)	0.2	1.4	n.a	98.4
Tonkin	0.2	0.4	n.a	99.4
Annam	0.1	0.2	n.a	99.7
Cochinchina	0.3	3.7	n.a	96.0
Cambodia	0.1	3.5	n.a	96.4
Laos	0.1	0.3	n.a	99.6
Thailand (1937)	n.a	11.8	0.8	87.4
Burma (1931)	0.2	1.3	8.2[b]	90.3
Malaya (1931)	0.4	39.0	15.8	44.7
Philippines (1939)	0.3	0.7	n.a	99.0
Java (1930)	0.5	1.4	0.1	98.0
Other Indonesia (1930)	0.3	3.4	0.3	96.0

[a] Refers to citizens of mainland China, and other foreigners.
[b] Includes Indo-Burmans

Sources: Korea: Grajdanzev 1944:76; Taiwan: Barclay 1954:16; Indonesia: Boomgaard and Gooszen 1991; French Indochina: Robequain 1944:Tables 1 and 6; Thailand: Sompop 1989:32; Burma: Saito and Lee 1999:Table 1-3; Philippines: Bureau of Census and Statistics 1947:17; British Malaya: Department of Statistics 1939:36.

citizens owned 45 percent of all nonagricultural assets; in the manufacturing industry the figure was higher (55 percent). Chinese nationals controlled around 14 percent of assets and Americans 25 percent. Of course, it is probable that many Filipinos of mixed Chinese or Spanish descent were classified as indigenous Filipinos in the census data. But even allowing for this, Golay's figures do suggest that on the eve of the Pacific War Philippine citizens already exercised considerable control over the nonagricultural sectors of the economy. The consequences of this for postindependence development are explored below.

Siam, although never a colony, also had to face the problem of considerable foreign control over important sectors of the economy. Eliezer Ayal (1969:338) pointed out that the leaders of the 1932 coup 'were imbued with Western ideas of exclusive nationalism and were therefore more sensitive to the presence and activities of unassimilated aliens in their country'. Their main motivation was to end the absolute monarchy and replace it with a constitutional government that would pursue more aggressively Thai national interests. The notion of 'Thaification' gained support, and, from 1935 onwards, laws were passed to reserve certain urban occupations for Thai, and to give preference to firms owned by indigenous Thai in allocating government contracts (Phongpaichit and Baker 1995:179; Yoshihara 1994:32). The Business Registration Act of 1936 was designed to facilitate the compilation of information on business ownership, and in 1938 a government-controlled Thai Rice Company was formed by the purchase of ten Chinese rice mills. The Liquid Fuel Act of 1939 attempted to establish government control over oil imports and distribution. Some of these policies were reversed later, but the measures of the 1930s set a precedent for 'persistent, if erratic' policies to indigenize the economy, which continued after 1945 (Ayal 1969:300-1, 338).

Markets for land, labour and capital in the Netherlands Indies and British Malaya

As has already been emphasized, it would be wrong to assume that the attitude of all colonial officials was one of purely paternalistic concern that the commercially incompetent indigenous population should be protected from the rapacity of the clever Chinese. By the beginning of the twentieth century it was becoming clear to at least some Dutch and French administrators, concerned about what was perceived as overpopulation in Java and Tonkin, that the living standards of the indigenous populations would only improve to the extent that they could participate more fully in the modern, nonagricultural economy. In Java, two facts were widely acknowledged by most scholars and administrators who had studied the empirical evidence: the proportion of agricultural output, including foodstuffs, which was sold on the market had increased to almost 50 percent in many parts of the island, and most rural households were diversifying their sources of income away from purely agricultural pursuits to manufacturing, transport, trade and wage labour (Van Laanen 1990:265; Boomgaard and Gooszen 1991:34-6). More broadly, D.H. Burger (1961:329), in discussing the 'government's native economic policy' in a thesis defended in 1939, quoted several officials including J. van Gelderen, J.W. Meijer Ranneft, and J.H. Boeke to support his argument that the indigenous economy was becoming ever more monetized and commercialized, and as a result a native business class was slowly emerging.

It was the slow speed of development of this business class that was the source of frustration to many Dutch observers, as well as to Indonesians themselves. Burger (1961:329) was no doubt correct when he argued that 'if a vigorous group of native entrepreneurs had arisen, the authorities would almost certainly not have gone so far with their welfare policies as they have done'. Boeke (1961), in a lecture delivered in the late 1920s, in fact called for a different type of government policy that put less emphasis on improving the general level of welfare and more on encouraging the emergence of outstanding individuals with genuine entrepreneurial ability, a policy later characterized by Wim Wertheim (1964:264-5) as 'betting on the strong'. Only the emergence of such individuals could, according to Boeke, pose an effective challenge to European and Chinese domination of the economy. But the 1930s were hardly a propitious time for such a new breed of entrepreneurs to emerge and consolidate their position within the colonial economy.

While the debate was continuing about the entrepreneurial capacities of indigenous populations, their involvement with market institutions was steadily increasing. By the dawn of the twentieth century, thousands of Javanese were moving to Sumatra and Borneo (Kalimantan) to work as wage labourers, and many thousands more were seeking opportunities as wage labourers at home. These numbers increased steadily until the onset of the depression of the 1930s. The increased willingness of the Javanese to move in search of better economic prospects obviously contradicted the stereotype of the indolent native who was unwilling to seek opportunities for economic self-improvement. And the involvement with market institutions was not limited to the labour market. Land also was becoming a marketed commodity, both in Java and in other parts of the archipelago. In addition, the colonial authorities were experimenting with several credit programmes, including a network of regional banks, village rice barns, and pawnshops, which attracted attention and admiration from both English and French colonial officials (Henry 1926; Angoulvant 1926:282-3; Furnivall 1934a, 1934b).

Furnivall (1934a:26) was at pains to emphasize that even in the depths of the depression the entire credit system was solvent and required no state subsidies. He argued strongly against the assertion that government-operated institutions simply displaced private suppliers of credit, especially credit provided by Chinese merchants and moneylenders. Certainly there appears to be little doubt that the government pawnshop service was operated more efficiently than the nineteenth-century Chinese pawnshops, and while the relaxation of the laws on Chinese residence might have led to greater

Chinese activity in rural areas in the twentieth century, it cannot be argued that taxpayers' money was used to subsidize financial institutions that the private sector would have provided more efficiently. The private system did continue to expand alongside the state one, although, in the absence of data, it is impossible to tell how important privately supplied credit was compared with state provision.

Given that the people's credit system did develop so rapidly in the interwar years, what was its impact on the indigenous economy in Java? Scholars seem very divided in their opinions. Alexander and Alexander (1991:386-7) argued that there was little evidence that the various rural credit institutions served to stimulate economic diversification, and the main effect of the government-sponsored initiatives was to institutionalize the two-tier credit market in the rural economy. The relatively wealthy could get access to credit at lower rates of interest that they could then lend at higher rates to the relatively poor, making large profits in the process. While no doubt correct, this argument ignores the basic economic point that credit markets always reflect a degree of dualism in the sense that some people will always be seen as more 'creditworthy' than others.

If the government initiatives did greatly increase the supply of loanable funds to rural areas in Java, were these funds used for productive investment or for consumption purposes? Jennifer and Paul Alexander argued that most went on consumption, ceremonial expenditures, and for tiding people over emergencies such as ill health, unusually long dry seasons, and so on. Other authors argued that the credit available from both the pawnshops and the other credit institutions was at least partly used for productive purposes; Furnivall (1934b:11) pointed out that 'a man may pawn his wife's bangles and use the proceeds as the first instalment towards buying a motor bus on the hire purchase system'. Both Furnivall and Van Laanen (1990) suggested that the pawnshops were not the last resort of the desperate (as they tended to be in Europe), but rather a convenient source of credit to many people who were far from destitute, but who kept their savings in commodities rather than in cash or bank deposits. The fact that the real value of credit advanced through government institutions dropped so sharply after 1930 indicates that borrowings were related to investment opportunities rather than to financial pressures, and when the investment climate deteriorated as a result of the depression the demand for loans fell.

In comparison with developments in the Netherlands Indies, the indigenous population of the Malayan peninsula was drawn more slowly into the cash economy in the nineteenth and early twentieth centuries. Indeed Indonesian migrants began arriving in British Malaya in large numbers from the 1870s to take advantage of trading opportunities and of the growing demand for wage labour, which the indigenous Malays were reluctant to avail themselves of (Roff 1967:37). According to W.R. Roff, the greater part of the Malaysian merchant community in Kuala Lumpur in the 1890s was said to originate from the Minangkabau region of West Sumatra, while Javanese began to arrive in considerable numbers in the Straits Settlements to work as labourers. Most Malays preferred to stay in their traditional occupations as farmers and fishermen, and the British certainly did not encourage them to move out of these roles. By the end of the nineteenth century the seeds were sown that were to develop into ever more bitter ethnic hostilities between the migrant Asian populations and the indigenous Malays. Roff (1967:54) quotes articles that appeared in a Straits Chinese newspaper in 1894 and drew attention to Malay educational and economic backwardness and attributed it to 'their slavish adherence to outmoded custom, the dissoluteness of their traditional leaders [...], their lack of industry and ambition, their hostility toward anyone who showed exceptional talents, and their inability to practice mutual self-help'. Roff points out that however unfair these accusations were, 'they came for many Malays uncomfortably near the truth'.

In the second decade of the twentieth century the British colonial authorities became more obsessed with rice self-sufficiency, and more frustrated that production was not growing fast enough to keep up with rising domestic demand. The 1913 Malay Reservations Enactment gave Residents in the Federated Malay States the power to set aside land (mainly but not only rice land) for exclusive Malay ownership. The purpose of this legislation was to prevent alienation of Malay land to foreign (both Asian and European) planters, and to encourage the Malays to grow rice rather than crops that the British considered speculative, such as rubber. The land could not be mortgaged, leased, or sold to non-Malays. Although in passing this legislation the British claimed to have been influenced by the earlier land legislation in the Netherlands Indies, in fact the Malay enactment was more stringent in that it prevented even the leasing of land to non-Malay parties. In 1917, following mounting anxiety about food shortages, more legislation was passed that empowered residents to regulate cropping patterns on Malay land, in effect preventing the cultivation of non-rice crops (Roff 1967:123; Lim 1977:121).

These draconian interventions in markets for both land and crops went well beyond Dutch measures in the Netherlands Indies, and indeed well beyond what the British did in other parts of Asia under their direct control. While one motivation was a genuine concern on the part of the colonial establishment that the growth of foreign estates could lead the Malay cultivator to become landless in his own country, it was clear that it was the official intention to keep the Malay away from the cultivation of crops other than rice. In particular, colonial officials showed themselves to be increasingly hostile to the idea that Malays should be involved in the cultivation of rubber (Lim 1977:116). After 1917, Malay smallholders were not permitted to obtain non-Malay land for rubber cultivation and, indeed, land already alienated to Malays that was found to be used for growing rubber was withdrawn.

Colonial officials appeared impervious to the fact that growing rubber afforded a better return to land and labour than growing rice, even at the increased rice prices prevailing in 1918-1920. The Stevenson Scheme, implemented in both Malaya and Ceylon in the 1920s to restrict the growth of rubber output and maintain its price, affected smallholder cultivation more severely than that of the estates (Jomo 1988:69). The main beneficiaries of this scheme were in fact smallholders in the Netherlands Indies, whose production really took off at this time. Although the Dutch colonial establishment gave the Indonesian smallholder little positive encouragement, they were not discriminated against, and their ready access to land meant they could increase output with little official harassment.

Paddy cultivation was to remain, in the words of one economic historian, 'the least profitable of all major occupations in Malaya' right up till the 1950s (Lim 1977:176; Jomo 1988:Table 3.1). This did not prevent the British from continuing to deter the rural Malays from doing anything else. Their zeal to keep the Malays in traditional occupations affected educational policy. Winstedt, an influential British official, argued that the provision of English medium schools should be restricted lest it make rural Malays restless and eager to leave the kampong for the wider world (Lim 1977:176). Roff (1967:125) quotes a Director of Agriculture in 1934 who warned against the dangers of inducing the rural Malay to 'forsake the life of their fathers for the glamour of new ways which put money in their pockets but today leave them empty tomorrow, and to abandon their rice-fields for new crops which they cannot themselves utilize and the market for which depends on outside world conditions beyond their orbit'. Although enrolments in Malay vernacular schools increased rapidly, by the late 1930s only about 20 percent of eligible children were attending school. Many parents could not see the point of education that did not lead to social mobility (Snodgrass 1980:237-43; Rudner 1994:289-90).

It is probable that many Dutch administrators in the Netherlands Indies in the interwar years had similar feelings to those of British officials about the dangers of exposing indigenous cultivators to the full blast of national and world market forces. But Dutch colonial thinking had, by the 1920s, been forced to recognize reality. As we have seen the great majority of the population in Java and in other parts of the archipelago were involved in the cash economy not just as producers of cash crops but also as suppliers of wage labour. Given the increasing density of population on restricted supplies of land they had little option but to avail themselves of whatever nonagricultural opportunities for earning money were available. The purpose of the Ethical Policy and of the interventions adopted in the 1930s was not so much to protect the peasants from capitalism as to facilitate their gradual absorp-

Table 5. Indigenous workers as a percentage of the labour force in manufacturing, commerce, professions and government service

	Indigenous workers as percentage of the labour force		
	Manufacturing	Commerce/Trade	Government and professions
Indonesia (1930)	95.3	84.3	93.6
Straits Settlements (1931)	7.2	3.9	20.5
FMS (1931)	3.0	2.4	32.9
Burma (1931)	80.8	73.3	86.7
Philippines (1939)	97.6	82.7	96.5
Thailand (1937)	55.2	60.6	95.2
Korea (1930)	89.7	85.1	59.8
Taiwan (1930)[a]	78.5	86.9	49.2

[a] Male workers only

Sources: Sources: Indonesia: Department of Economic Affairs 1936, VIII:Table 18; Thailand: Central Service of Statistics c.1946:75; Straits Settlements and FMS: Vlieland 1932:Tables 121-141; Burma: Baxter 1941:25; Philippines: Commonwealth of the Philippines 1941:505-14; Korea: Chang 1966:Table 2; Taiwan: Barclay 1954:71.

tion into the market economy. In Malaysia, by contrast, the aim of colonial policy appeared to be to build ever higher fences between the kampong Malay and the market economy.

According to the 1931 census, indigenous Malays comprised less than 10 percent of the nonagricultural labour force in both the Straits Settlements and the Federated Malay States (FMS) (Table 2). This was a much lower percentage than in Java or the Outer Islands, or in Burma and Siam, although the Thai census data used a 'nationality' criterion that probably underestimated the actual number of ethnic Chinese in the labour force. It was also much lower than in Taiwan and Korea. Indigenous Malays were also a very low proportion of those engaged in trade and commerce compared with Burma and the Netherlands Indies, as well as Taiwan and Korea (Table 5). To some extent the very low ratio of indigenous Malays in the nonagricultural labour force reflected the fact that Malays were a much lower proportion of the total labour force in British Malaya than in other parts of East and Southeast Asia.

But there can be little doubt that the large influx of migrant workers into British Malaya, together with British policy aimed at keeping the indigenous population in rural areas, created a more extreme example of the plural economy than in other colonies in East and Southeast Asia. It was a legacy that postcolonial governments struggled with for the last four decades of the twentieth century.

Indigenous entrepreneurship and economic opportunity in colonial Korea and Taiwan

The plural society and economy that attracted such attention throughout Southeast Asia in the last phase of European colonial rule took a very different form in the Japanese colonies. There was very little in-migration from China, or any other Asian country, except Japan, into either Taiwan or Korea, although the percentage of the population from the mainland in Taiwan was around one percent, which was higher than the percentage of Chinese nationals in the Philippines, and only slightly lower than the percentage in Burma and Java (Table 4). What did stand out in both Korea and Taiwan by the 1930s was the Japanese presence; Japanese citizens comprised over 5 percent of the total population in Taiwan and just under 3 percent in Korea (Table 4).

The vast majority of Japanese workers in both colonies was in nonagricultural occupations; in Taiwan the largest number of employed males in 1930 were in the professions and government, followed by commerce and manufacturing (Barclay 1954:Table 16). Many indigenous Taiwanese were in these occupations as well; in 1930 they comprised slightly less than half of all male workers employed in government and the professions. In Korea the proportion was around 60 percent. These were higher proportions than in British Malaya, although much lower than in Burma and the Netherlands Indies, where indigenous races accounted for the great majority of employed workers in the professions and government service by 1930. In the Netherlands Indies, indigenous workers accounted for a higher proportion of the manufacturing labour force than in either Taiwan or Korea, and a roughly similar proportion of the labour force in trade and commerce (Table 5).

There is little evidence that the Japanese colonial regimes in either Taiwan or Korea were much concerned with the development of entrepreneurial capacity among the indigenous populations. In the context of Taiwan, Samuel Ho (1971:323) argued the following:

> During the colonial period, the government relied primarily on its own savings and the savings of the Japanese corporate business structures it helped create to provide the capital for industry. It never encouraged the emergence of an indigenous industrialist class; in fact, its whole policy

> was directed toward preventing the emergence of such a class. Until 1924 Taiwanese were not allowed to organize or operate corporations unless there was Japanese participation. Thus the modern sector became a monopoly of the Japanese capitalists. Even after this restrictive rule against Taiwanese participation was rescinded, Taiwanese were reluctant to seek entry to the modern sector because of its domination by Japanese capitalists. Through its power to regulate, and license, and by granting exclusive privileges to Japanese capitalists, the government successfully kept the Taiwanese from acquiring any economic power.

Ho's argument was that Japanese policy in Taiwan was trapped in an image of its own creation. Taiwan was to be developed as an agricultural appendage of Japan, and it was only in the 1930s when the Japanese government became more preoccupied with war preparations that these views changed. In Korea, Daniel Juhn (1977:48) pointed out that in the 1930s, when the Japanese authorities were trying to attract the *zaibatsu* (large Japanese industrial conglomerates) to invest in Korean industry, some officials did argue for a strategy that also encouraged Koreans to establish small and medium enterprises. But few policies were implemented, and Korean businesses received little assistance, compared with that granted to Japanese firms, which remained in a dominant position in virtually all sectors of industry and trade. Juhn (1973:128) argued that the activities of the industrial cooperatives that were established in Korea after 1910 were 'insignificant and ineffective' compared with small producers' cooperatives in Japan.

A figure frequently quoted for Korea is that Japanese investors accounted for around 90 percent of all paid-up capital in industry by the late 1930s (Kim 1973:110-1; Haggard, Kang and Moon 1997:871; Chung 2006:123). These authors emphasize that Japanese investors dominated light as well as heavy manufacturing, and that most skilled workers, and almost all managers, were Japanese. The figure of 90 percent has been challenged by Carter Eckert (1991:54), who claimed that it ignored joint Japanese-Korean companies that 'may well have garnered the lion's share of Korean capital'. He also argued that in any case such statistics did not capture the full extent of the transition, although often incomplete, by Korean merchants and landlords into the ranks of the industrial bourgeoisie (Eckert 1991:55). He cites the examples of the men who would go on to found the *chaebol* (the large industrial conglomerates established along the lines of the Japanese *zaibatsu*), which became famous in the post-1960 era, including Samsung, LG, and Hyundai. Most were sons of landlords who became small-scale businessmen in the 1930s and 1940s in sectors such as brewing, rice milling, textiles, and vehicle repair.

It was certainly true that a few Koreans did rise to control substantial business empires during the Japanese era. The outstanding example of an indigenous Korean industrial family that rose to wealth and power in the Japanese era were the Kim brothers who founded the Kyongsong Spinning Company. They came from a family that had accumulated substantial holdings of rice land in the southern part of the country, and after education in Japan, the two sons moved into industry in the 1920s. The move was fraught with difficulties, not the least being the stiff competition from better-funded Japanese firms (McNamara 1990:174-5). But by the 1930s they had managed to consolidate their position in Korea and move into southern Manchuria, where they established a spinning plant in 1937. The textile venture survived the war and liberation, and prospered under the First Republic (McNamara 1990:117; Juhn 1977:49-50).

The Kim success story was exceptional, although other large-scale Korean businesses were able to emerge and compete with Japanese firms in banking and in trade. Examples of successful entrepreneurs who are often cited include Pak Hung-sik who established a substantial wholesale and retail business, and the aristocratic Min clan who moved into banking during the Japanese era (Juhn 1973:126; McNamara 1990:Chapters 5 and 6). After the establishment of formal Japanese rule, there were few positions available to Koreans in the upper ranks of the civil service, or the military, so banking and finance became a socially acceptable occupation for those from families that had previously occupied senior bureaucratic posts. But as Dennis McNamara (1990:49) argued, all Korean business people 'had to carefully align their investments to find a niche in the development plans of the colonial administration'. Few were able to exploit such niches and build up substantial enterprises, and most businesses remained small-scale, as indeed was the case in other parts of colonial Asia.

But however limited the development of an indigenous entrepreneurial and managerial class in Korea before 1945, it is arguable that more was achieved than in most other colonies in Asia, outside India, and possibly the Philippines. One would search in vain for successful industrial ventures similar in size to the Kyongsong Textile Company, owned and managed by indigenous families in Siam, British Malaya, or the Netherlands Indies before 1942. And as Eckert (1991:55) pointed out, some indigenous Koreans did own stock in both Korean and Japanese companies. This hardly ever happened in the Netherlands Indies, Siam, or British Malaya. Here the combination of foreign capital and local Chinese and Indian domination made it almost impossible for indigenous entrepreneurs to move beyond small-scale trading and manufacturing. Lack of access to credit was certainly one factor; in addition, very few indigenous Thais, Indonesians, or Malays received the sort of education, either at home or in the colonial motherland, that gave the Kim brothers the knowledge and confidence to establish new industrial ventures. The small number that did receive such education went into the civil service or the military. This tradition was to continue after the advent of political independence.

Eradicating the legacy of the plural economy: 1945-1965

The Japanese occupation from 1942 to 1945 facilitated the rise of an aggressive form of indigenism in several parts of Southeast Asia. This was due in part to the expropriation of almost all enterprises owned by European and American interests, and in part to the harsh treatment of many ethnic Chinese business people. In addition, the Japanese approach to economic policymaking was *dirigiste* in the extreme and relied on a range of economic controls embracing most aspects of production and distribution. Even if this controlled economy proved incapable of supplying basic needs to the great majority of the population across Southeast Asia, it still presented nationalists across the region with an alternative model to the apparently more *laissez-faire* approach of the colonial powers (Golay et al. 1969:455-6). In spite of the increasing economic dislocation in the last phase of the Japanese period, some shrewd and determined indigenous business people were able to turn a chaotic situation to their own advantage and establish viable enterprises (Twang 1998:Chapter 3).

On the political front, the fierce devotion to emperor, armed forces, and nation, which obviously inspired the Japanese military, made a deep impression on many young people in Southeast Asia, and this intense nationalism inevitably affected the way they viewed economic problems. After 1945, the relationship between indigenous business groups, the Chinese, and foreign businesses, especially those originating from the colonial power, could never be the same as it was before 1942. The forces of indigenism were stronger in some former colonies than in others. They were probably strongest in the Netherlands Indies, but even in the Philippines, where Chinese nationals were a very small proportion of the population in the late 1930s, some nationalist legislation was enacted in the decade after independence such as the Retail Trade Nationalization Law that prohibited those not holding Philippine nationality from owning retail trade outlets (Yoshihara 1994:28-32). Nor were nationalist policies entirely absent in Siam, which was the only Southeast Asian country to have escaped direct colonial control. As Ayal (1969:338) argued, for much of the twentieth century successive Thai governments were concerned with foreign control over the economy, although it was only after the 1932 coup that 'concrete measures for Thaification were introduced'. From 1935 onwards, laws were passed to reserve certain urban occupations for Thai and to give preference to indigenous Thai firms in allocating government contracts (Phongpaichit and Baker 1995:179). The purpose of the legislation was to curtail the economic role of aliens, especially Chinese.

An important implication of these measures was that the military leaders who dominated most governments in Siam (Thailand) from 1932 until the late 1950s were hostile to private enterprise and supportive of state capitalism. These attitudes were encouraged by the sojourns of several leading military figures in Italy, Germany, and Japan in the interwar years. But the Thai found, as most of the former colonies were also to find in the decades after 1945, that there were no shortcuts to greater indigenous control of the economy. The main problem was the acute shortage of managerial expertise among indigenous Thai; few had any idea at all of how to run large-scale productive enterprises, and many of the state corporations were financial failures. Many managers were former army officers and treated the enterprises they were supposed to be running as sources of personal enrichment and patronage. Ayal (1969:338-9) pointed out that even before 1940, the Thai experience confirmed the basic correlation between premature indigenism and corruption, a correlation that was to become more obvious in many other parts of the region after 1950.

In both Burma and Indonesia, indigenism in the postindependence years was the driving political force behind the adoption of inward-looking policies described by Myint (1967). In both former colonies, the independent governments wanted to eradicate what they saw as the pernicious legacy of the plural economy, with its apparent tight relationship between ethnicity and economic role. It has been suggested that the drive towards rapid indigenism was essentially an elite phenomenon, 'originating with and promoted by politicians seeking power for other ends and by members of a narrow indigenous entrepreneurial element who are motivated by avarice to expropriate alien wealth' (Golay et al. 1969:447). While this was probably true in both Indonesia and Burma, it could hardly be denied that in both countries there was considerable grassroots antagonism against the role of the Chinese and the Indians respectively. In Burma this antagonism was in large part due to the Indian expropriation of indigenous cultivators. In Indonesia it resulted from the role of the Chinese in rural areas as traders and moneylenders, together with the widespread perception among nationalists that Chinese businesses had received preferential treatment under the Dutch.

In both Burma and Indonesia, the decade after independence witnessed much political rhetoric about socialism and popular control over the means of production. In Burma, there was a strong government push during the 1950s, even before the military regime assumed power, to take over both British and Indian firms and to establish new state enterprises in manufacturing. By 1960 it was estimated that over 90 percent of industry was Burmese-owned. It was clear that many were poorly managed and that government industrial policy suffered from a lack of coordination. The Revolutionary Government which assumed control in the early 1960s, after a brief period of apparent openness to both domestic and foreign private enterprise, abruptly reversed its policy and after 1963 prevented the establishment of any new private enterprise in manufacturing industry (Pfanner 1969:231-2).

In Indonesia, the struggle to break free of the legacy of the plural economy took a rather different form. The 1945 constitution enshrined the 'family principle' of economic organization and some nationalist leaders regarded cooperatives as an 'excellent expression of Indonesian social ideals' in spite of the fact that the peasant economy in Indonesia had, during the latter part of the colonial era, been increasingly based on private ownership of land and production for the market, whether domestic or foreign (Mackie 1971:44-5). Perhaps because the spirit of private enterprise was so strong in rural areas, little was achieved with agricultural cooperatives during the 1950s in spite of several government initiatives. There was little pressure for the establishment of collective farms, even on the part of the Indonesian Communist Party (Mortimer 1974:288). Instead, in the early 1950s government policy was more directed to the fostering of indigenous entrepreneurs in the nonagricultural economy. The so-called 'Benteng' programme, established immediately after independence, was at first directed mainly to getting more indigenous Indonesians involved in the lucrative import and export trade, which had been dominated in colonial times by the big Dutch trading houses and to a lesser extent by the Chinese.

Ralph Anspach (1969:168-79) discussed the failings of the programme in detail. As he pointed out, there was concern, even among some nationalist politicians, at the blatant racial bias of the 'Benteng' measures, and the unwillingness to encourage Chinese businesses even when their owners had adopted Indonesian nationality. In addition, the lingering support for cooperatives, especially strong with Vice-President Mohammad Hatta, meant that some key politicians tended to oppose any plan to encourage private enterprise, whatever the ownership. The distaste of the Hatta camp for hothouse development of indigenous entrepreneurs was no doubt strengthened by the growing evidence that many of the so-called indigenous businesses that got access to import licences were simply fronts for more experienced Chinese companies. Chinese companies also in some cases filled the gap left by the Dutch companies that were either closed or nationalized in 1957-1958.

It was the frustration of the failed indigenist policies of the 1950s which President Soekarno exploited after he brought the period of constitutional democracy to an end in 1958 and ushered in the Guided Economy. From then on, indigenist policies became intertwined with the aim of implementing Indonesian socialism, although as Anspach (1969:126) pointed out, for most of the Indonesian political elite, socialism meant little more than 'an emotional predilection, a vestigial sentiment from the revolutionary struggle against the capitalistic Dutch'. In fact, the decades of the 1950s and the 1960s almost certainly witnessed an attenuation of the role of government in the Indonesian economy. Government expenditures relative to GDP were already low in Indonesia in comparison with several other former colonies in the late 1950s (Table 6). After 1960, in spite of the increased rhetoric about Indonesian socialism, they fell further relative to GDP. In 1960, output from government enterprises including those expropriated from the Dutch amounted to only about 20 percent of total output (Booth 1998:Figure 4.1, Table 4.9).

In several respects, British Malaya in the late 1950s offered a stark contrast to the situation in both Burma and Indonesia, as well as that in Thailand. Given that the Chinese and, to a lesser extent, the Indian presence was so large, and that non-Malays were so dominant in the nonagricultural labour force, it might have been expected that indigenist policies would have been stronger there than in other parts of Southeast Asia. But according to Golay et al. (1969:454), the forces of indigenism were comparatively weak, and there was little or no socialist content to such indigenist policies as were implemented. Pressures on foreign, and especially British, enterprise were at best minor. Indeed, White (1996:269) has argued that by 1957 the British had achieved something approximating 'neocolonialism' or 'informal empire'. The Alliance government maintained open economic policies, a competitive exchange rate, and a friendly attitude to foreign investment. In 1962, Malaya was the sixth largest recipient of direct foreign investment from Britain. Estate companies that had been established in the colonial era, far from being threatened by the government, were encouraged to undertake replanting and expansion of their activities. Although Malaya's share of world rubber production, both natural and synthetic, was only 18.2 percent in 1960 compared with 44.5 percent during the 1930s, the Alliance government recognized that both rubber and tin would continue to be important earners of foreign exchange over the 1960s, and that investment in both industries should be encouraged, whatever its provenance.

At the same time the government of what was still British Malaya was urged by international development agencies to assume more responsibility for encouraging manufacturing industry. The report by the International Bank for Reconstruction and Development (as the World Bank was then known) published in 1955 recommended a two-pronged approach. On the one hand, the government should provide infrastructure including water, electric power, and roads while, on the other hand, it should 'foster individual enterprise' through measures such as provision of technical and market research for secondary industry, investment in appropriate education and training programmes, support for foreign investors in those sectors where their technical know-how could be crucial and also the judicious use of tariff protection. On this last point the report stressed that the tariff should be used as a means of encouraging development and not as a way of supporting

Table 6. Government expenditures and revenues as a percentage of GDP and investment and defence expenditures as a percentage of total expenditures, 1957

	As percentage of GDP government:			As percentage of gov. expenditures	
	Expenditures	Revenues	Investment	Investment	Defence
Taiwan	30	20	10	32	34
Burma	25	20	10	39	28
Korea (South)	22	11	9	40	30
Malaya	19	17	3	25	16
Thailand	16	12	5	29	22
Indonesia	15	12	2	11	15
Cambodia	14	12	n.a	n.a	28
Philippines	12	11	3	22	14

Source: United Nations ECAFE 1961:Tables 22, 24, 25, 32, 33.

'hopelessly high-cost industries' (International Bank for Reconstruction and Development 1955:123).

Tariff protection was an especially difficult issue because those parts of British Malaya that had developed as free ports, especially Singapore and Penang, were fearful that with independence their free-port status would be removed, and their consumers forced to pay high tariffs on imported goods, or buy high cost manufactures from other parts of Malaya. These fears were in part the reason for Singapore's departure from the Federation of Malaysia in 1965. But the Malay political elites who dominated policymaking in the run-up to independence were themselves ambivalent about encouraging rapid industrialization because they knew that it would be the Chinese who would seize the opportunities provided by tariff protection. Some were also concerned about the impact of industrial protection on the urban-rural terms of trade, and about the welfare effects on small rural producers, the great majority of whom were Malay. As Frank Golay (1969:346) argued, the insecurity felt by the Malay leadership also caused them to accept, and even encourage, the continuing large Western stake in the economy.

The situation in the Philippines was different again. By the late 1930s, almost 45 percent of the assets of nonagricultural enterprises in the Philippines were owned by Filipino citizens (Golay 1969:Table 1). This was a far higher proportion than in any other colonial territory in East or Southeast Asia. Certainly many of the large owners of both agricultural estates and nonagricultural enterprises were of mixed Filipino and Chinese or Spanish descent, but the ethnicity issue was less politically fraught in the Philippines after 1945 than in many other parts of the region. Many among the governing elite had some Chinese or Spanish ancestry. They harboured little overt hostility to American or other foreign enterprises, and had virtually no sympathy for socialist policies, or even for government taking an activist role in the economy. Land-reform policies made little progress in the period from the late 1940s to the late 1960s (Putzel 1992:Chapter 3). In the late 1950s, government expenditure relative to GDP was the lowest in the region (Table 6). By and large the political forces that had come to power in the last phase of the American period remained in control after 1946, and became over time a barrier to further structural transformation of the economy. In this sense, American colonialism was as David Kang (2002:27) has argued, 'pervasive and yet, ultimately, nontransformative'.

This is not to say that the Philippines did not experience substantial growth in the two decades or so after 1945. As Golay (1969:33) pointed out, after the implementation of high levels of protection through extensive import and foreign exchange controls after 1949, the manufacturing sector grew rapidly, and by 1960 manufacturing accounted for a higher proportion of GDP than in any other former colonial territory in Asia. Export growth slowed as a result of the overvaluation of the peso, and gradually the export sector was taken over by Philippine interests. It was these interests that ultimately pushed through the removal of exchange and import controls in 1962 and the substantial devaluation of the peso. It was much easier for the government of the day to undertake such measures once the export sector was seen to be in Philippine hands. At this point it might have appeared that pressures of indigenism were driving the Philippines in the direction of a more open and competitive economy. But in spite of these policy changes, it proved impossible for the Philippines to move into the same kind of high-speed industrial growth as was achieved by Taiwan and South Korea after 1960. The benefits of the devaluation of 1962 were rapidly eroded by high inflation (Power and Sicat 1971:52), thus providing only a transitory boost to both existing and new export industries.

In both Taiwan and South Korea, forces of indigenism were weaker than in much of Southeast Asia mainly because the dominant Japanese presence had left virtually no room for any other foreign participation in either economy. There was no equivalent of the large migrant Indian or Chinese presence, and neither was there any foreign investment apart from that of the Japanese. Thus, the abrupt departure of all citizens of the colonial power in 1945-1946 left large holes in both economies, and policy debates revolved around what was going to fill them. In Taiwan, the administration that took over from the departing Japanese was imbued by the 'statist economic ideas' used in Guomindang circles to interpret Sun Yat-sen's doctrine of fostering the people's livelihood (Lai, Myers and Wei 1991:84). The administration led by Ch'en-I was in part concerned with building up a patronage network for migrants from the mainland, but was also imbued with an ideological bias in favour of a planned economy. Publicly owned firms soon controlled over 70 percent of all industrial and agricultural enterprises; in addition, a new Monopoly Bureau controlled the supply and marketing of salt, camphor, opium, matches, liquor, and tobacco. The government also imposed strict regulations on private trade.

By the end of 1946, the Ch'en I administration probably controlled 'even more economic activity than had the Japanese' (Lai, Myers and Wei 1991:87). Even before the wave of refugees from the mainland in 1949, many mainlanders were employed in the bureaucracy, including the state enterprises. Steinhoff (1980:61) estimates that the numbers of mainlanders employed by state enterprises more than doubled between 1946 and 1949; in 1949 they accounted for more than one third of the total. Many lacked experience in the jobs they were allocated, and a process of rationalization of employment began in the early 1950s. Numbers of both mainlanders and Taiwanese working in the state enterprises fell. It is probable that some moved into private sector activities. In addition, the Taiwanese landlords received compensation for the land they had surrendered in the form of government bonds and stock in former Japanese companies; some of them at least used these assets to build up new enterprises (Steinhoff 1980:59).

In North Korea, the adoption of a strict socialist model led to the elimination of most forms of private enterprise by the end of the 1950s. In South Korea, most scholars have viewed the postarmistice years as characterized by rampant cronyism where Japanese properties, and aid dollars, largely from the USA, were distributed to business groups friendly to the Rhee regime at very low prices. It was thus possible for firms with the right connections to make 'massive profits with no further effort than a bit of paper work in ordering imports' (Jones and Sakong 1980:277). In addition, businesses with good political and bureaucratic connections received low interest loans, tax benefits, and other privileges. This was a situation not unlike that which the Benteng programme created in Indonesia, although in the Korean case large inflows of foreign aid greatly added to the opportunities for rent-seeking. Jones and Sakong (1980:41) have drawn a parallel between the charismatic political talents of Rhee and those of Soekarno, and argued that both were better suited to the creation and integration of a new nation than the development of an existing one.

Jones and Sakong (1980:276) pointed out that the situation changed with the advent of the Park government. Under Park, firms were expected to make a convincing argument that the privileges conferred on them would be used productively. Good connections with the bureaucracy were still important, but as the supply of potential entrepreneurs increased, an element of competition was introduced into the process of securing the necessary government-controlled inputs. In addition, the introduction of a more open and competitive market for foreign exchange, and a decline in aid flows, eliminated an important cause of rent-seeking behaviour. The policy reforms implemented by Park would serve as a model for other governments in the region in later years.

Many of the policy debates in the former colonial territories in the decade after 1945 revolved around issues of ownership of productive assets (foreign or local, state or private, indigenous or migrant Asian). But it was clear at least to the more thoughtful nationalists that, whatever their ultimate ownership, if assets were to be properly managed, it would be necessary to develop a class of professional managers and technically trained workers. Throughout the region, whether in the former Japanese colonies or in Southeast Asia, colonial educational legacies, especially at the tertiary level, were at best modest and at worst nonexistent. The main exception to the shortage of skilled workers was the Philippines where, in the mid 1950s, numbers of graduates in science and technology per 100,000 people were roughly the same as in Japan, and substantially higher than elsewhere in Asia (Table 7). This, of course, was the result of the high secondary and tertiary enrolments there in the late-colonial era. But in Taiwan and South Korea, gross enrolment ratios at the primary level (numbers of children enrolled as a percentage of total numbers in the seven to twelve age groups) had already caught up with the Philippines by the mid 1950s, and in South Korea gross enrolment ratios at the secondary level were higher (Table 7). The growth in educational enrolments in South Korea from the 1950s onwards meant that by the 1970s, almost half the male labour force had at least secondary education (Booth 2003:153).

Even in those economies, such as South Korea and Taiwan, where, by the late 1960s and early 1970s the nonagricultural sectors of the economy were growing rapidly, it was not always easy to match the output of the educational system with the requirements of the labour market. A labour-force survey carried out in South Korea in 1974 found that although open unemployment was only around 6.5 percent, a further 13 percent of workers were 'under-utilized' in the sense that there was a mismatch between their qualifications and the work they were doing. In the Philippines, where growth was slower over the 1960s, a 1968 survey found that around 10 percent of employed workers were underutilized using the mismatch criterion. Many

Table 7. Educational enrollments and science and technology graduates in Asia, circa 1955

	Gross enrolments ratios		Science and technology graduates per 100,000 people
	Primary	Secondary	
Japan	64	94	34.9
Philippines	54	25	34.2
India	27	18	18.1
Korea (South)	54	36	17.2
Taiwan	54	24	14.3
China	36	8	4.8
Thailand	51	14	3.3
Vietnam (South)	21	4	0.6
British Malaya	49	18	n.a
Indonesia	39	8	n.a
Burma	24	9	n.a

Sources: United Nations Unesco 1963:103-5; United Nations ECAFE 1962:34.

were also working quite short hours (Hauser 1977:Table 5). While rapid expansion of access to education for the indigenous population was viewed by many postindependence politicians as one means of eradicating the legacy of the plural economy, finding productive jobs for the output of the education system proved more difficult than many had realized. These problems were to continue in many of the former Asian colonies to the present day.

Conclusions

Furnivall argued that by the early twentieth century, European colonialism had created societies in much of Southeast Asia where ethnicity and economic function were tightly linked and where the different races only came together in the marketplace and were never able to integrate in any other human activity. This chapter has argued that this rather stark view of Southeast Asian colonies should be modified in some respects. Although

Furnivall put forward his views in the context of Burma and the Netherlands Indies, by the 1930s the racial division of labour was most pronounced in British Malaya, where migrant Chinese and Indians accounted for over half of the total population. It is not surprising that when British Malaya attained full independence in 1963 as the Federation of Malaysia, the island of Singapore, where the Chinese were in a large majority, did not remain long in a state where the federal government was dominated by ethnic Malays. After Singapore left the federation in 1965, Malays were in a majority, but after serious race riots in 1969 the Malaysian government felt compelled to embark on a 'new economic policy', which was in essence a government-led affirmative action programme designed to get more Malays into the secondary and tertiary education system, and into nonagricultural employment. It is beyond the scope of this essay to evaluate the success of this policy; suffice to say that almost four decades after its inception, policies favouring ethnic Malays, and thus discriminating against Chinese and Indians, are still in place. Inevitably some Chinese and Indian professionals with skills in demand in other parts of the world have left the country.

In Burma, the increasingly xenophobic military government led by General Ne Win drove many residents of Chinese and Indian descent back to their homelands or to third countries from the early 1960s onwards. After the reunification of Vietnam in 1975, many Vietnamese of Chinese descent also left the country, a considerable number as refugee 'boat people'. In Indonesia, the nationalist and anti-Chinese policies of the Soekarno era were largely abandoned after 1966, but resentment against the role of the Chinese in the economy continued to simmer throughout the Suharto era. Many indigenous business people believed that large Chinese conglomerates, some of whose owners were known to be close to the Suharto family, received unfair advantages from the government in the form of preferential access to government contracts and other privileges. Anti-Chinese feeling was one motivation in the popular protests that led to Suharto's resignation in 1998.

Probably the most peaceful and least discriminatory resolution of the problem of the plural society can be found in the Philippines and Thailand in the decades after 1960. In the Philippines, almost all Chinese migrants had taken Philippine citizenship by 1960. Their assimilation into broader Philippine society was helped by their adoption of Christianity; children of Chinese families were educated alongside Filipinos in government or church schools and shared both a language and cultural attitudes. In addition, some prominent politicians such as President Cory Aquino had some Chinese ancestry. In Thailand also, since the late 1950s, many politicians and senior government officials have been partly or largely of Chinese descent, and many Sino-Thai families have embraced Thai Buddhism. Although Sino-Thai business people continue to dominate most sectors of the nonagricultural economy, this apparently causes less popular resentment than in either Malaysia or Indonesia.

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