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## **Promise, pretence and pragmatism: governance and taxation in colonial Indonesia, 1870-1940**

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### **Citation**

Manse, M. R. (2021, June 2). *Promise, pretence and pragmatism: governance and taxation in colonial Indonesia, 1870-1940*. Meijers-reeks. Retrieved from <https://hdl.handle.net/1887/3175569>

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**Issue date:** 2021-06-02

## Summary

### Promise, Pretence and Pragmatism: Governance and Taxation in Colonial Indonesia, 1870-1940

This dissertation investigates the long and complex development of a modern income tax system in the Dutch colonial state in Indonesia, or the Dutch East Indies, between 1870 and 1940. It discusses the colonial government's ambition to establish a unified, centralized and bureaucratized system of taxation in which all subjects paid their taxes justly, equally and according to their capacity. Taxation, the dissertation demonstrates, was used as an instrument through which officials addressed core questions of the relationships between state and people, and through which people negotiated with the state. Therefore, it serves as an excellent lens to study colonial governance.

The dissertation starts by noting how in 1920, after almost 50 years of fiscal reform, the Dutch colonial government attempted to resolve the previously upheld ethnic, socio-legal and regional fiscal separation in their colonial state, by imposing a unified income tax system. However, the colonial administration appeared ill-prepared to carry out this unification, and the tax system proved difficult to maintain and perpetually frustrated by countless practical problems. To understand why this was the case, this dissertation looks not only at colonial policies, but also at the interaction between colonial officials and local societies. By comparatively exploring the implementation of tax reforms in five regions (Ambon, Java, West Sumatra, Aceh and Seram), it tries to understand the local development and operation of taxation. In doing so, it provides a critical analysis of colonial governance and the intricate relationships between colonial officials, intermediaries and subjects. It analyses colonial ideology and policy and compares these to the administrative practices of local officials as experienced by on the ground, to uncover what colonial statesmen aimed for and how and why this differed from local governmental practice.

The first chapter investigates what motivated Dutch colonialism in Indonesia, against the backdrop of the construction and expansion of the colonial state between 1815 and 1940. It describes how in the nineteenth century, the Dutch monopolized agricultural production and profits under the framework of so-called 'cultivation systems', in which subjected peasant populations performed coerced labour instead of paying taxes, managed by semi-independent classes of indirect rulers who participated in colonial profits. Coerced labour had been of paramount economic importance and was legitimized by presenting it as a disciplinary tool to harness greater labour ethics and welfare. Simultaneously, colonial systems of coerced labour were often rooted in local indigenous principles of labour extraction and redistribution. This hardly befitted the principles of modern taxation envisioned by colonial officials of the later nineteenth century. Above that,

monopolization of production and trade conflicted with the interests of increasingly influential liberal politicians and private entrepreneurs. From 1870 onward, the cultivation systems were therefore slowly deconstructed. The colonial state was opened up to private capital and entrepreneurs. These developments were conjoined by an increasing 'ethical' concern about indigenous welfare, infusing new forms of 'civilizational imperialism.' This imposed a governmental rationality in colonial policy, which aimed to change and 'improve' the standards, behaviour and patterns of social organization of colonized subjects, to make these wealthier, more productive and more 'orderly' as in accordance to Dutch expectations.

'Ethical colonialism' aimed to not only control but integrally govern colonized populations under a legal bureaucracy, institutionalized procedures and modern administrative techniques. Driven by contemporary ideas of European superiority, it provided a new narrative for legitimizing colonial power, in which indigenous people were portrayed as unfit to rule themselves and in demand for European tutelary guidance to advance to proper European, 'modern' modes of statecraft and taxation. These were made the standard against which non-European cultures were automatically found inadequate. 'Modernization' in this case was presented as a movement from the allegedly 'feudalist', 'exploitative', 'uncivilized' and 'despotic' forms of indigenous precolonial rule into the heights of European bureaucracy. In this supposedly bureaucratic state all were to be administered, cared for, inscribed and tied to the state by paying unified income taxes, thereby contributing to the development of themselves, each other and the state.

The second chapter explores how the colonial tax policy changed in tandem with the ideological, political and socioeconomic transformations of the late 1800s. From 1878 onward, a series of new income taxes was introduced, to subject European, 'Foreign Oriental' and indigenous populations to increasingly similar forms of taxpayment. These income taxes were supposed to help reduce the use of coerced labour and expand and redistribute the fiscal burden as justly as possible over the shoulders of the entire population of the colony. These taxes were gradually merged together and fully unified in 1920. This was seen as the endpoint of the colonial state's quest to incorporate, collectivize and standardize as many people as possible under a full-fledged system of tax administration. Many higher office-holders saw taxation as a tool to map and transform subjected populations, stimulate productive behaviour, maintain public order, enhance fiscal equity and shape a 'civilized' taxpaying society of governed subjects. They thought to have established the right tax system for these purposes in 1920. To many of these Dutch officials, the reform of the tax system drove the development of the state and society into a uniform, consolidated entity. Hence, taxation in colonial Indonesia was at the forefront of 'ethical', 'civilizational' colonialism.

Such, however, was mostly how the tax system developed on paper. In reality, even though taxes did become more important as a source of state

revenue, its governmental and 'civilizational' effects remained limited. Indeed, many of the formally abolished labour services had unintentionally remained in use – overall usage of coerced labour in the colony in fact only increased, following the economic and territorial expansion of the colony. Moreover, the tax system remained essentially discriminatory and exploitative in nature, and characterized by segregation, corruption and inequality. The interests of international corporatism kept overruling local indigenous interests. The tax system remained unfavourable to smaller taxpayers. Ambitions to enhance popular welfare and stimulate indigenous participation in the colonial political economy through tax payment remained unfulfilled. In many places, the presence of the state itself remained disputed and taxes were structurally evaded. Instead of policies and ambitions, the local context and conditions in which colonial officials operated were crucial to the introduction of new tax policy. Policy, as a result, invariably became informed by these conditions, and was constructed bottom-up in interaction between officials and taxpayers through the intermediation of networks of indigenous elites and tax farmers. They participated in tax revenue by enjoying 'collectors wages' or by (ab)using the power provided by their crucial role in between state and society. Colonial officials made pragmatic choices and participated in established patrimonial networks of service and tribute levying which in fact they were supposed to change. This way, the colonial state itself became increasingly mixed with the local structures and practices it was actually supposed to replace. Instead of a force of extraction and reform, taxation provided an arena for contesting the colonial state.

In order to unravel how taxation was worked out, five case studies are analysed in the rest of this dissertation, each covering a specific location in the Netherlands-Indies, and also representing another stage of Dutch colonial expansion in the archipelago and another form of societal organization. Thereby, this dissertation attempts to provide an as comprehensive and detailed as possible comparative exploration of the implementation of tax reform in different parts of the archipelago, unravelling the intricacies of governmental practices in the Dutch East Indies.

The first case study (chapter 3) concerns the island of Ambon, in the Central Moluccas, and discusses how in the seventeenth century the Dutch imposed a system of monopolized trade and coerced production of spices on this island. This system was largely coordinated in collaboration with indigenous rulers. When the spice economy collapsed in the nineteenth century, the Dutch continued to rely on these rulers, even though the economic decline caused erosion of their position and prestige. The transition towards monetary head taxes was unsuccessful, as, instead of imposing a just, bureaucratic and transparent system of governance and tax-levying, the Dutch kept relying on the past relics and glory of an increasingly obsolete and impoverished political order, which cost them their grip on the Ambonese population in the long run.

The second case study (chapter 4) investigates the persistence of coerced labour, and in particular *corvée* services, in Java. It explores Javanese prin-

ciples of redistribution, reciprocity and exchange in the triangular relationship among land, labour and power that were fundamental to the assorted colonial systems of coerced agricultural production and services imposed in the nineteenth century. The chapter reveals how, like in Ambon, the transformation of coerced labour and services to monetary taxation was impeded by continuation of the same types of indirect rule that underpinned the cultivation system. The state vowed to root colonial prescripts of *corvée* and taxation in supposedly local principles of *adat*, by accumulating knowledge about and codifying these principles. However, thereby it provided colonial officials the possibility to produce, select and convert knowledge of these principles, rather than to accumulate knowledge on and describe them, to fit the needs of a state to which *corvée* remained an irresistibly cheap and convenient form of labour supply. Moreover, to accumulate information, colonial officials relied on the same local elites that often had an interest in the continuation of *corvée*. Consequently, use of *corvée* only increased, facilitated by, paradoxically, the codification of the exact principles that should have diminished its use to terminate the sort of serfdom and inequality that many Dutch thought characterized Java. Resultantly, taxes were levied next to, rather than instead of *corvée* services. Provided by the colonial state's bureaucratic tools of enforcement and power to inscribe more and more people into all sorts of *corvée* and tax registers, many indigenous chiefs only got greater access to exploit the labour capacity of their people. Many peasants, quite often successfully, tried to escape the high burden of taxes and services, by voting with their feet or revolting, but the Javanese kept being taxed at disproportionately heavy levels. Reports written between 1900 and 1930, all recognize this problem and urge to reduce the burden of *corvée*. Yet, at the Forced Labour Convention of the International Labour Organization held in 1930, the Dutch were forced to admit little had been achieved in reducing the persistent use of coerced labour or improving the conditions under which coerced labour was organized throughout Indonesia.

The third case study (chapter 5) studies the impact of specific forms of social organization on colonial taxation in West Sumatra. In the highlands of this region, property rights were communally held and inherited in female line – a concept to which the forced coffee cultivation system imposed in West Sumatra in the 1840s was indifferent, but which the modern colonial tax system could not comprehend. The Dutch struggled for decades to balance furnishing the female inheritance system with materializing their ambitions to standardize and redesign society to participate in the unified system of individual income taxes. They attempted to use the same models of indirect rule as in Java and Ambon, relying on patterns of (male) leadership they considered to be standard, to tax individual men as they were used to: as being responsible for the incomes of their households. But political power and rights over property were not unified in West Sumatra; men were not the same kind of family heads, having claim to and authority over income and property, as the Dutch wanted them to be. By enforcing the imposition of individual income taxation and making communally held

property executable, the Dutch hoped to induce a social shift towards individual income taxation through men. The tax burden increased, adding to popular dissatisfaction and social tensions culminating in regular rebellion and resistance, the heaviest one occurring immediately upon the imposition of personal income taxes for men in 1908. The Dutch, structurally unable to grasp and control local *adat* society on its own terms, blamed the inevitable rejection of their tax system by the Minangkabau on 'radicalism' and the 'shortcomings' of society. This way, they limited the necessity of taking action, but also denied the structural defects underpinning their tax policies.

The fourth case study (chapter 6) discusses the Dutch invasion and incorporation of Aceh in North Sumatra. While Ambon and Java at the time had become core domains of Dutch colonial occupation in the early modern era and West Sumatra was conquered earlier in the nineteenth century, Aceh was subjected to Dutch rule only after 1870. This chapter demonstrates how the imposition of taxation in Aceh went hand in hand with violent conquest and the appropriation of existing structures of rule and systems of exploitation, as an integral part of imperial expansion. In Aceh, there never was a consolidated kingdom based on rice cultivation and redistribution of land and labour under an intricate aristocratic system or emperor like in Java. Instead, Aceh's Sultan maintained commercial-political ties with often rather autonomous local rulers who paid him tribute but also pursued their own interests. Nonetheless, the Dutch attempted to implement a similar regime of *corvée* labour and direct income taxes as in Java. They did so by eliciting these local rulers to sign contracts acknowledging Dutch supremacy and govern in name of the Dutch as 'self-governors', while handing their rights to levy duties and tariffs over to the colonial state. That way, the Acehnese were in theory subjected and included as yet another 'normalized', tax paying population, while in reality the tax system was practically outsourced to these indigenous rulers who simply continued the arrangements already in use, forsaking much of the Dutch promises of fiscal modernization. The chapter argues that the Dutch deliberately designed this scheme this way to keep up the pretence of a functioning tax system while imputing its limited success to the indigenous chiefs that carried it out.

With the final case study (chapter 7), about the island of Seram, the dissertation arrives back in the Central Moluccas. During the nineteenth century, the Dutch abstained from colonizing Seram. Contrary to nearby Ambon, Seram was considered unsuitable for economic exploitation due to its unfavourable geographic and social circumstances. However, 'civilizational imperialism', the drive for expansion and concerns about security and stability in the region ultimately drove the Dutch to colonize the island around 1900. Seram was considered difficult terrain to control, as it was inhabited by various ethnic groups that had maintained their independence and in Dutch eyes were completely 'uncivilized' because of their peripatetic lives, non-monotheistic religious orientation, organization in non-state-like entities and practicing of headhunting. In the mindset of colonial officials

this sort of 'behaviour' had to yield to the colonial drive for social improvement, and the island was subjected to brutal conquest and the imposition of labour services and head taxes. Taxation was considered a tool by some officials to equip and establish the state on the ground, connect people to the state, protect them against their own 'violent inclinations', promote settled village inhabitancy and obedience to colonial officials and establish peace and tranquillity. But just like in Aceh, instead of truly working through ingrained patterns of organization and power, the Dutch favoured handing down authority to selected indigenous chiefs who, dressed up in European suits and bestowed with the appropriate titles and paraphernalia, were to independently collect taxes from their own populations. This colonial 'standoffishness' allowed for various forms of state-avoidance and resistance, and only use of violence, precisely what officials claimed to reduce, appeared truly effective in producing taxpaying subjects and reorganizing colonized society.

Together, these case studies demonstrate that Dutch colonial tax policies always preyed on indigenous tenets found on the spot, and were worked out by using the local knowledge, organizations and practices of the targeted populations they were supposed to replace. This was how both the cultivation systems of the nineteenth century and the monetary tax systems of the twentieth century were constructed. The best tools to learn to control internal order and govern local society appeared to have been those already in place, probably precisely because they were local and had been arranging taxation and governance already for centuries. Thus, as the dissertation concludes, tax policy was developed in interaction between Dutch colonizers and indigenous society. On paper it ended up as a mixture of local realities codified into ordinances, translated into colonial bureaucratic language, stamped with the requisite signatures and presented as the result of colonial inventions. This spawned, at least partially, from differences in ambitions, theories, ideologies and priorities within and among various levels of the colonial government apparatus. Whereas in the Hague and Batavia, statesmen and policymakers sought to safeguard the harmony and unity of their state, local officials often had little choice but to compromise these 'writing-table theories' to the conditions they encountered on the ground. Ruling by staying close to local practices and customary law also helped minimizing opposition, and continuing 'peace and tranquillity' was essential to maintain colonial order.

As a result, tax policy only grew more complex and inflexible, while the goals of social reform and 'improvement' were not met. This was deeply problematic, as the promise of reform, improvement and change essential to the European self-image and to the ways colonial officials legitimized their policies and presence. This was resolved by perpetually insisting on indigenous inadequacy to adhere to the standards of 'European modernity.' By manipulating and selecting information and producing knowledge that served to legitimize policies in hindsight rather than to inform specific action, colonial officials closed their eyes to the structural problems that

characterized colonial governance and taxation. This way, they denied the need for more structural reform, and pretended to carry out a bureaucratic, just and transparent tax state.

Similar developments, as recent literature shows, also occurred in colonized spaces elsewhere. This helps us review the relationships between colonizer and colonized. Whereas the colonizer determined what tax policies were implemented, the colonized had an important part in how these were worked out in practice, and hence how difficult it was to manage the colonial empire. As colonial states accumulated, imported and internalized local structures of rule, social organization and taxation, its schemes, laws and ordinances were permeated with it. And by using the institutions, patterns and structures colonial officials claimed to replace or reform, they implicitly acknowledged the pragmatic value and power of these.

In general, tax-levying entities were never unlimited in their power, as taxes were historically always decided on through negotiation and interaction between those who levied and those who paid them. Hence, this dissertation calls to accept and acknowledge the agency of those who were colonized in bending the power of the colonial state. This helps us to look beyond the narrow frames of European modernity to come to a much closer understanding of how colonial governance actually worked.

