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REVENUE FARMING AND SOUTHEAST ASIAN TRANSITIONS

Molly Huxley Room, University House
30 June to 2 July 1988

THURSDAY, 30 JUNE 1988

9:15 Welcome by John Butcher, Jennifer Cushman and Howard Dick

Howard Dick: Overview of Some Main Themes
Discussion

10:30 Tea

11:00 John Butcher (Griffith University): "Revenue Farming and the Changing State in Southeast Asia: A Preliminary Discussion".
Discussant: Christine Dobbin

12:20 Lunch, University House Cellar Bar

2:00 Constance Wilson (University of Northern Illinois, deKalb): "Revenue Farming, Economic Development, and Government Policy in Thailand, 1830-1910".
Discussant: Tony Reid

3:30 Tea

4:00 Christine Dobbin (Australian Development Assistance Bureau). "From Revenue Farmers to Entrepreneurs: the Chinese in the Javanese Textile Industry, 1870-1939".
Discussant: Michael Godley

Jennifer Cushman (ANU). "Revenue Farms and Indigenous Capital Formation: A Footnote".
Discussant: Michael Godley

5:30 End discussion

FRIDAY, 1 JULY 1988

9:00 Michael Godley/Ian Copland (Monash University): "Revenue Farming in South and Southwest Asia:Reflections on Taxation, Social Structure and State-Formation in the Early Modern Period".
Discussant: Constance Wilson

Helen Dunstan (ANU): "Notes on Revenue Farming in "High" Qing".
Discussant: Frits Diehl

10:30 Tea

11:00 C.J.G. Holtzappel (Leiden University): "The Indigenous Basis of the Revenue Farming System in Java".
Discussant: Howard Dick

Tony Reid (ANU): "The Origins of Revenue Farming - Southeast Asian or Exotic?"
Discussant: Carl Trocki

12:30 Lunch, University House Cellar Bar

AFTERNOON: TRIP TO BURRA; DINNER

SATURDAY, 2 JULY

9:00 Carl Trocki (Georgetown University): "The Collapse of Singapore's Great Syndicate".
Discussant: Hong Lysa

Ian Brown (School of Oriental & African Studies, London): "The End of the Opium Farm in Siam".
Discussant: John Drabble

10:30 Tea

11:00 F.W. Diehl (University of New England): "Some Aspects of Revenue Farming in the Netherlands East Indies, 1816-1920s".
Discussant: Ian Brown

Khoo Khay Jin (Universiti Sains Malaysia): "Revenue Farms in Kedah."
Discussant: Coen Holtzappel

12:30 Lunch in town

2:00 Hong Lysa (National University of Singapore): "Revenue Farms and the Articulation of the Modes of Production".
Discussant: John Butcher

Recapitulation: Howard Dick
General discussion

4:00 Finish

REVENUE FARMING IN SOUTHEAST ASIA

AN OVERVIEW

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Paper prepared for

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i) THE INSTITUTION

Revenue farming is one means whereby a government (ruler or state) can gain access to revenue. Necessarily, the initiative comes from the side of government. In the absence of any effective government there would be no taxes, no revenue and no revenue farming. The collection of taxes is a sovereign right because it depends ultimately upon the willingness to resort to force to extract what is in the possession of others.

The essence of revenue farming is that the task of collecting revenue is contracted out to private interests. The government disposes of what Reid (1988) neatly refers to as a "licence to collect state revenue". Even though the government controls the means to compel individuals to pay taxes, it may not have a bureaucracy capable of collecting them on a routine basis. Moreover, it may not trust the aristocracy with the task for fear that too small a proportion of the revenues collected will be handed over to the central authority. By contracting out the task the government in effect hires a bureaucracy and, to some extent, a police force.

At first sight the curiosity of the system is that the government does not actually reimburse the farmer for the costs of revenue collection. On the contrary, the farmer pays the government an initial lump sum and often some form of annual rent for the right to hold the farm. The government therefore receives its revenues in two forms, firstly the taxes remitted by the farmer and, secondly, the payment by the farmer for what is in effect his licence. Were the farmer merely acting as an agent of the government, such an arrangement would be absurd, for it ought to be sufficient that the farmer receive compensation to covers his costs of collection plus a margin of profit. The explanation for the apparent reversal of logic is lack of knowledge. The dilemma for the government is not just that it lacks the bureaucracy to collect its revenues but also that it knows little about the size of the tax base and therefore the amount of revenue able to be collected. It therefore has to be satisfied with a second-best solution of setting a quota for remittance of tax and charging a fee for the right to collect tax, thereby trying to capture as large a proportion as possible of the unknown above-quota collections.

The division of spoils between government and the farmer depends upon the degree of potential competition (i.e. the threat of new entry or, in contemporary jargon, "the contestability" of the farm) and, of course, the extent to which the government is knowledgeable about the tax base. In a world of perfect information but no competition, the farmer would be unable to collect above-quota revenues but would be able to extract a large profit on top of reimbursement for his collection costs. A situation of imperfect knowledge but pure competition would tend towards payment of a licence fee equal to the above- quota receipts less collection costs (assuming no other benefits to the farmer). In other words, competition would offset the government's disadvantage of ignorance. Thus, it was clearly in the interests of the would-be farmers to eliminate competition by forming a cartel (i.e. syndicate). Unless, of course, one bidder could exercise enough force, as for example through a secret society, to discourage rival bids. In Southeast Asia, where farmers were typically Chinese, struggle for control of farms was therefore at the heart of conflict within the Chinese community - and also between Chinese communities. In the case of Java it has been vividly described as "the battle of the kings" (Rush, 1977).

This model is, however, still far too simple. Much of the attraction of a revenue farm was not just the access to above-quota tax collections but the great leverage over other kinds of economic activity. Trocki (1988) emphasises how in the early years of Singapore the opium farm was "organically tied" to the local staples of pepper and gambier. In the Netherlands Indies possession of the opium farm enabled farmers also to control the rice trade and moneylending. The farmer's economic dominance was reinforced by political leverage. The opium and spirit farmers were also allowed to maintain what was virtually a private army or police force, which not uncommonly seem to have intersected with secret societies. Trocki (1981) for Peninsular Malaya and Hong (1984) for Thailand both provide evidence for the intimate involvement of the secret societies. In all the countries of Southeast Asia the big farmers, through fair means and foul, thereby controlled a sphere (often geographic) in which they ruled as economic overlords with a great deal of political authority, sometimes de facto and sometimes formal. In the Netherlands Indies their cooption by the state was confirmed by their status as Kapitan Tjina, an institution that can be traced back to 17th century Batavia.

Revenue farming was therefore fundamentally a matter of monopolies and monopolisation. To say that tax collection is a sovereign right is equivalent to defining it as a monopoly. By contrast, the sale of opium or spirits, the collection of tolls, the right to hold markets or the slaughter of animals were not intrinsic monopolies. Rents could be generated and farming out become attractive only by creating artificial monopolies. The enforcement of those monopolies, however, was subcontracted with the farm. It was up to the opium farmer, for example, to prevent smuggling. He was therefore allowed to maintain his own police force. Only in the last resort would the state intervene to maintain law and order or to prevent collapse of a farm.

Those contracting for farms were necessarily members of the business elite. Though revenue farms were a means for Chinese entrepreneurs to accumulate large sums of capital, only in a general sense were they a means of "primitive accumulation". The historical evidence is that the Chinese who gained control of the large revenue farms were in most cases already rich and well-established in the Chinese community. In the Netherlands Indies it was no coincidence that the opium farmers were usually one and the same with the Kapitan Tjina. They had already achieved both wealth and respectability. By the same token, no-one who wished to be secure as leader of the local Chinese community could afford not to control the opium farm. The farms did, however, provide a channel of upward mobility. Through their enormous powers of patronage, the farmers maintained a hierarchy of franchise holders, who in time could also accumulate wealth and aspire eventually to become a farmer and leader of the Chinese community.

Whether or not revenue farming is a capitalist institution is more arguable and depends very much upon what one understands to be capitalism. The institution obviously belongs to a world of commerce and exchange. Even if people do not pay their taxes in money, the means must exist for the farmer to convert the commodities into money. But a monetised society is not necessarily capitalist. I would argue that what matters is not whether the large part of society has yet been absorbed into a capitalist mode of production but whether the revenue farm belong to that layer of society which obeys capitalist laws. The facts that revenue farms and monopolies were one and the same phenomenon and that the leaders of the business elite made such effoprts to obtain and maintain them as the linchpins of their wider commercial interests suggest that, in Braudelian terms, the institution was unambiguously capitalist, albeit of a crude and simple kind.

The issue may be clarified by considering not just the behaviour of the business elite but also the nature of the state. What we understand as "modern" capitalism has as much to do with the nature of the state as with economic activity per se. In what kind of society was this behaviour embedded? Obviously the state was, by modern standards, "pre-modern". Indeed, the reason why governments had to rely so much upon revenue farmers was because the state apparatus was so primitive.

The implication of this general analysis is that the essence of tax farming is an <u>alliance</u> between the government and the business elite. Both have something to offer and something to gain. The terms of the farm depend upon the balance of power between them. If one were to choose a single word to describe the relationship it would be mercantilist. Socially, in the context of Southeast Asia where government tended to be European and the farmers Chinese, one might also refer to a mestizo polity. In order to understand how the relationship evolved, and eventually atrophied, one must focus upon the dynamics of change both within the business elite and within the state as well as upon the changing balance of power between them.

ii) THE HEYDAY OF REVENUE FARMING IN SOUTHEAST ASIA

Although both in Europe and in Asia revenue farming is an institution of long-standing and in Southeast Asia can also be traced back several centuries, as a major source of revenue it achieved prominence in Southeast Asia only in the latter half of the nineteenth century. This period coincided with rapid growth of commodity production and trade. The precise relationship between revenue farming and commodity production, however, has yet to be elucidated. It seems that the development of revenue farming was often a matter of deliberate state policy as a means of tapping an obviously growing tax base. In this case it was an effect rather than a cause of economic growth. At the same time it is quite conceivable, as argued by Butcher (1986), that revenue farms may have reinforced economic growth, specifically by providing an incentive to farmers to encourage Chinese immigration and settlement. Hong (1984) argued that the Thai government clearly saw the benefit of tax farms in stimulating the development of remote provinces such as in the South. The strength of the additional stimulus provided by the farms, however, is difficult to gauge.

An important counterfactual question is what would have happened to government revenues and expenditures in the absence of revenue farming. Hong(1984) and Wilson (1988) suggest one possibility, namely that in Thailand revenues farming permitted a reduction in corvee labour demands. In other words, in the absence of revenue farming the direct tax burden upon the peasantry would have been heavier. Cushman (1986) has argued that revenue farming probably facilitated a shifting of the tax burden from the indigenous peasantry to Chinese immigrants, and thereby away from "subsistence" agriculture towards expending commercial activities. The other counterfactual possibility - and it is not mutually exclusive - is that, in the absence of revenue farming, government revenues would have been much lower. If so, the power of the central government would have grown much more slowly. Moreover, expenditure upon infrastructure would thereby have suffered, holding back economic development.

Another counterfactual question is the impact of revenue farming upon wages and profits. As taxes on items of discretionary consumption, farms probably had no effect upon the level of real wages paid to either indentured labour from South China or to free labour in Southeast Asia. However, they may well have affected the operation of the labour market by extending the average length of time under indentures (Trocki, 1981: 13). While Chinese immigrants would no doubt have smoked, gambled and drunk away a substantial proportion of their earnings even in the absence of revenue farms, tax farmers had a great incentive to facilitate these indulgences. Besides the immediate profit from higher turnover of the farms, in their capacity as employers tax farmers both reduced the proportion of the work force to which they had to pay high local wages and could get by with a much smaller annual influx of indentured immigrant labour to run any given mine or plantation. Unit labour costs to the employer must thereby have been reduced.

iii) THE DECLINE OF REVENUE FARMING

From the viewpoint of the modern economic history of Southeast Asia, the intriguing thing about revenue farming is that it came to an end in all countries at about the same time as governments took over responsibility for direct administration of tax collection (Cushman, 1986: 23). Was this coincidence or does it point to an underlying unity of experience of countries by then under very different political systems?

What stands out is that in all countries the central government had become much stronger over the latter half of the nineteenth century, in part because of the marked increase in revenues at its disposal. The bureaucracy had grown in size. Moreover, and especially in the colonies of the Netherlands Indies and what is now Malaysia, officials were becoming better trained, more professional and, as a result of the emerging ethos of the civil servant, probably more honest. Partly because of modern concern for accurate statistics and partly through several decades of experience with supervising revenue farms, the government had also become quite knowledgeable about the size of the tax base and the resources which would be required for direct tax collection.

By the end of the century it was not only the capability but also the will that was moving governments towards direct tax collection. On the one hand, there was increasing pressure from liberal, and missionary opinion as to the evils of opium, and to a lesser extent spirits and gambling. This tended to bring the whole revenue farming system into disrepute. The racist association of the se evils with Chinese seems to have added to this a particular piquance. On the other hand, the trend towards rationalisation of public finance, which was manifest even in Thailand, also worked against the ramshackle system of revenue farming. Direct tax collection was perceived as much more compatible with budgets of revenues and expenditures, which had become the **sine qua non** of modern government. Even under a laissez-faire regime, governments were now expected to provide the infrastructure of law and order, communications, basic sanitation facilities etc. Yet these commitments had to be financed within the constraint of a balanced budget if confidence was to be maintained in the value of the currency.

Rationalisation of public finance therefore led directly to a concern with the **stability** of public revenues. It was difficult to maintain expenditures on defence, law and order, and infrastructure and still balance the budget if revenues were unpredictable from year to year. In the case of Thailand it seams clear that the abandonment of the revenue farm in 1907, premature in terms of the government's own planning, was brought about by a crisis in the syndicate that threatened government revenues (Brown, 1988). There is also plenty of evidence that as the size of farms and competition between rival syndicates had increased, so had the risk of overbidding and collapse.

However, although the initiative to undertake revenue farming and the power to terminate it rested ultimately with governments, as argued above, the essence of the revenue farming relationship is an alliance between government and the business elite. Over the latter half of the nineteenth century the composition of that elite was also changing. In the mid-19th century Europeans had been prominent in the import/export trade and associated activities such as insurance, foreign exchange banking and deepsea shipping, but the commanding heights of the domestic economy had typically been under Chinese control. By the end of the century Chinese business leaders were seeing that control slipping from their grasp. Loss of the revenue farms was probably only a proximate cause. Control of the farms had probably enabled them to sustain their position longer than would otherwise have been the case because of the large cash flow and the leverage over other sectors of the economy. Once the farms had been lost, Chinese business was increasingly confined to the middleman role so typical of the 20th. century and which soon came to be regarded as the natural order of things.

The relative decline of Chinese business has been documented inter alia by Godley (1981), Cushman (1986b) and Dick (1980) but the causes are not yet well understood. Cushman (1986) suggests that it was the failure of rich Chinese with capital to invest in modern industry. Dobbin (1988) shows that in Java displaced farmers did diversify into textiles, albeit with mixed success. Butcher (1986) agrees that some ex-farmers did diversify their interests but could not retain their former pre-eminence. The danger is, however, of looking in the wrong direction. There is no good reason to single out industry as the alternative field of investment. Even the allegedly so dynamic Western entrepreneurs did not invest heavily in industry. Presuming that both western and Chinese entrepreneurs invested according to profit calculations, the proper question is why investment in the modern and developing sector of the economy, such as plantations, mines, public utilities and communications was less profitable for Chinese entrepreneurs. Alternatively, were there systematic barriers to entry? Was it, as we would once have accepted as a matter of faith, that Western enterprise had access to better techniques and organisation or was it, as Dick (1981) suggests, that there was systematic discrimination against Chinese business by colonial governments? The fact that Chinese business very successfully penetrated the modern sector of the Thai economy, where there was no colonial government to content with, suggests that this avenue is worth exploring.

Whatever the explanation, by World War I the imbalance of power between central governments and Chinese business elites was so marked that the alliance was no longer viable. The power of the State had grown irresistibly, while that of Chinese business had waned. The mestizo polity had collapsed, and in the Dutch and British colonies was in any case now racially untenable. Europeans and Chinese were no longer equal citizens, even though rich and well-educated Chinese might be elevated to an honorary respectability. In theory, governments could have maintained the revenue farming system in alliance with western enterprise. In practice the requirements of modern finance dictated otherwise.

The revenue gains from direct tax collection were impressive. Governments were pleasantly surprised. However, two factors have to be borne in mind in measuring the impact of the change. First, gross revenues are the wrong measure. Since the quotas remitted by farmers were net of collection costs, net receipts are the appropriate basis for comparison. Unfortunately, the modern practice of separating revenues and expenditures means that the cost of collecting a particular tax cannot readily be identified. Secondly, the shift to direct taxation greatly increased the already considerable incentives for corruption within government bureaucracies. In the short term this may not have mattered. No doubt it took taxpayers and bureaucrats some time to find their way around the new tax arrangements. Besides, colonial bureaucracies seem to have operated with a fairly high degree of professional integrity. Since independence, however, the pigeons have come home to roost. It is not always self-evident nowadays that direct tax collection, however modern in concept, is necessarily the most efficient and system of effective tax collection.

REVENUE FARMING AND THE CHANGING STATE IN SOUTHEAST ASIA

A Preliminary Discussion

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Paper prepared for Conference on
Revenue Farming and Southeast Asian Transitions

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This paper is an attempt to use the study of revenue farming as a means of examining how the state changed in Southeast Asia from the early nineteenth century to the beginning of the twentieth. My principal assumption is that the study of revenue farming is an especially powerful means of focusing on the state, for at a quite fundamental level a revenue farm represents a division of authority. The state claims the sovereign and sole right to levy certain taxes and to charge for certain goods and services. Indeed, it is the revenue from these sources that allows the state to maintain and extend itself. The state may, however, choose for whatever reason not to undertake the actual task of collecting some of these revenues itself but instead farm out this task. It may, in other words, grant a private contractor the exclusive right to collect a tax or provide certain goods and services in a particular territory for a specified period of time. A farm was of course a business. Looked at in this way, the private contractor, or "farmer", paid the state an agreed fixed rent for the enjoyment of this right. But a farm was more than a business. In 1886 Abendanon argued that the farmer collected "for and in the name of the State". From this he drew the conclusion that rather than the farmer paying the state in the form of rent it was more correct to regard the state as paying the farmer for his services by only requiring him to hand over an agreed amount rather than all that he collected (p. 527). Either way, of course, the driving force behind revenue farming--the incentive that propelled men to become revenue farmers--was the same: the farmer was able to keep for himself whatever money he collected over and above the amount he had to pay the state. Nevertheless, Abendanon's conception of a farm serves to highlight the fact that the farmer, a private individual, was performing a state function. It was in keeping with this fact, moreover, that farmers were granted certain powers to carry out their work. There was, in short, a division of authority between the state and the farmer.

The exact extent of this division, however, was by no means constant. To illustrate this we might imagine two very different situations. At one extreme the farmer holds the farms without having submitted a bid in competition with other potential farmers; he has had to provide little or no security to the state to ensure the fulfilment of his obligations; he is bound by only a few regulations; and the state does little to ensure that he conforms to those regulations. At the other extreme the farmer faced stiff competition to acquire the farm; he has had to provide substantial security; he is bound by a multitude of regulations; and he has to deal with a state that makes sure he in fact conforms to them. In the second of these extremes the state is far stronger in relation to the farmer than it is in the first. In between these two extremes is a wide range of possible situations. Thus, the degree to which authority was divided --indeed, the ways in which it was divided--could vary greatly. It is precisely for this reason that a study of revenue farming may provide a useful means of examining the way the state changed in Southeast Asia during the nineteenth and early twentieth centuries.

Before attempting this, however, I need to clarify my use of that "notoriously slippery concept" (Anderson, 478), the state. For my purposes the state is roughly synonymous with "the government". Thus I am not adopting the view that anything that carries out what might be regarded as a state function is in fact a part of the state whether or not it is a formal governmental body. To adopt such an approach would defeat my purpose of examining the distinction (and tension) between the state and the farmer, a private contractor. But two points must be made. First, I regard the state as being made up not only of formal governmental agencies and the people who hold positions within them but also certain laws, regulations, procedures, and ideologies. The state is therefore an institution (Anderson, 478), but at the same time we can also see it as implying a set of relationships both within itself and between it and other entities. "Legal enactments, definitions, and processes", writes Asad, are all "elements in power struggles" (p. 600). Second, even a narrow conception of the state as "the government" is difficult to apply to Southeast Asia in the period being considered. As will become clear, it is often difficult to determine exactly who or what constituted the government in any modern sense of the word. But this is precisely the kind of issue that a study of revenue farming can help us to explore. And for this reason I prefer to adopt the concept of "stateness" followed by most of the authors of a study of state formation in Western Europe rather than assume any fixed definition of the state or even of types of states. "The degree of 'stateness' of the governmental structure", writes Tilly, is "the degree to which the instruments of government are differentiated from other organizations, centralized, autonomous, and formally coordinated with each other" (p. 32). Implicit in this paper will be an attempt to show how the degree of "stateness" increased markedly in the period up to the early twentieth century.

Finally, my use of the term "Southeast Asia" should be explained. I will be confining my attention to farms in what are now Indonesia, Malaysia, Thailand, and Singapore. In keeping with my intention not to project present-day political units back into the nineteenth century, however, I will not use the first two terms in this paper. As for "Thailand", I shall use this as the name of the kingdom based at Bangkok rather than the modern nation state, while "Singapore" simply refers to the island and port city of that name.

I

Except in the short term rulers or governments can increase their income from taxation only if there is more wealth to be taxed. The basis for the great expansion of revenue farming that began in the late eighteenth century and accelerated after about 1820 was the great increase in production and trade that took place during this period. In part this increase was prompted by the demand for Southeast Asian products within Asia, especially China, where there was a ready market for tin, gold, pepper, rice, and jungle and sea products. More and more, however, the increase in production and trade was generated by demand in Europe. The Industrial Revolution, either directly or indirectly, increased demand for such Southeast Asian products as sugar, coffee, indigo, gambier, pepper, tobacco, tin, teak, and rice. At the same time trade barriers were lowered both in Europe and, often under pressure from European traders and diplomats, within Southeast Asia. The establishment of Singapore as a free port in the 1820s made it easier for Southeast Asian products to be exported as well as for European goods to be imported. The rapid improvement in maritime transportation also made it easier for Southeast Asian products to compete on the world market. Finally, and not least, China provided a ready source of labor and commercial enterprise that could help to translate the demand for Southeast Asian products into actual production and trade.

Often production was initiated or at least encouraged by Southeast Asian political leaders[1], both indigenous and colonial. Beginning in about the 1740s Malay chiefs in West Borneo encouraged the immigration of Chinese to mine gold. Taksin and the early Bangkok kings, particularly Rama III, actively promoted production and trade; during this period Chinese became prominent as sugar and pepper cultivators and in many other activities. In 1830 Van den Bosch established the Cultivation System, under which Javan peasants produced coffee, sugar, and indigo for the European market. And, to take another example, in the 1840s Long Jaafar, employed by one of the principal chiefs of Perak to collect taxes at Krian and Kurau, collaborated with Chinese financers in Penang to bring in Chinese to mine the rich tin deposits recently discovered within his district at Larut (Gullick, "Larut", 19). In other cases both indigenous Southeast Asians and Chinese immigrants simply began producing for the world and growing local markets with little or no encouragement or direction by any existing political authority. Thus, wealth was being created. The challenge from the point of view of political leaders and governments was how to tap some of this wealth for their own benefit.

One of the principal means of doing this was to grant revenue farms. In Southeast Asia there was a multitude of different farms. They tapped wealth in a variety of ways. First, there were farms that gave the holder the exclusive right to buy up particular commodities, such as areca nuts, jungle products, and many other products in the case of Trengganu (Shaharil), or to sell particular commodities, of which salt farms were probably the most notable example. Second, some farms gave their holders the right to collect a tax on the means of producing a certain commodity. In Thailand and Chiangmai there were farms for the collection of a tax on betel nut trees (Ramsay, 108), while at Chiangmai and Malacca (Kratoska) land taxes were collected by farms at various times. Third, there were farms for the collection of import, export, and transit duties. Virtually anything that had to be transported in order to be traded could be taxed in this way. In the mid-nineteenth century the ruler of Asahan even farmed out the export duty on slaves (Schadee, I, 130). It would appear that farms for the collection of duties and tolls were common throughout Southeast Asia early in the century, as indicated by Crawfurd's History of the Indian Indian Archipelago (III,72-74), published in 1820, and other sources. And, fourth, there were farms for the exclusive right to provide some good or service. The most important of these farms were for the sale of prepared opium, the sale of alcohol, the operation of gambling dens, and the right to operate pawnbroking shops. Crawfurd wrote that "the pernicious system of farming such branches of the public revenue as consist of taxes on consumption is general" (III, 73), but he did not mention where farms of this type existed or how important they were in comparison to other farms. Over the next fifty to sixty years, however, farms of this type became by far the most important of all farms. Farms of this type, unlike those of the third, had no direct effect on the profitability of Southeast Asian commodities on the world market or of European goods sold in Southeast Asia[2] and, for this reasons, did not contravene the free-trade policy the British first introduced at Singapore and later began pressing indigenous authorities to adopt. Instead, these farms taxed people in so far as they consumed whatever goods or service the farm provided. Some farms, notably the lottery farms in Thailand and the opium and pawnbroking farms in Java, tapped the incomes of peasants in this way. In most areas, however, the principal target of these farms was the immigrant Chinese working on mines and plantations and in the ports. Because they were so highly transient the Chinese could not be easily taxed in other ways such as by a head tax, but in large part for precisely the same reason they wanted to, or could be encouraged to want to, gamble, drink, and smoke opium. As early as 1794 Francis Light "marked out the Chinese as 'the only people in the east from whom a revenue may be raised without expense and extraordinary efforts of government'" (Wong, 96).

In theory, political leaders might have collected these revenues themselves rather than farm them out. The overriding reason they chose not to was that they lacked the administrative apparatus to do so. Nor usually did they have the capital or even the specialized knowledge needed to set up and operate such an apparatus. Except in the case of very minor sources of revenue, such as the operation of a ferry, some form of organization, often an elaborate one, was essential. To derive an income from the sale of opium, for example, the raw opium had to be imported, different grades of prepared opium had to be manufactured to suit the tastes of consumers, the prepared opium had to be distributed and sold in shops and on mines and plantations, personnel had to be supervised and disciplined, and, not least, smuggling had to be suppressed or at least controlled. In the case of pawnbroking, shops had to be set up, goods valued appropriately, interest calculated, personnel controlled, and alternative sources prevented from giving loans. Once a source of revenue was farmed out it was the farmer rather than the government who provided this organization.

In the early years[3] Chinese business groupings and secret societies provided this organization. It is often said that governments farmed out revenue collection to Chinese businessmen because as outsiders to the political system they could be easily controlled. One is reminded of the comment by Matthews that up to the sixteenth century the king of France "desired that his tax-farmers be drawn from the 'môyen estat' rather than from the richest orders of society. He wanted men who were neither too wealthy or powerful to bribe his officials nor too poor to bear the risks of the tax-farming enterprises" (p. 36). In the case of Southeast Asia, Carey writes that before 1813 "no Chinese had a political base in Javanese society from which to influence power rivalries at court" (p. 25). As was to happen in central Java, however, Chinese revenue farmers quickly adapted to the political systems of the areas where they operated farms. Indeed, it was to their advantage to do so, if only so that they could induce local power holders not to supervise their activities too closely, thereby allowing them both to meet their contractual obligations to the government and to make as much profit as possible. There certainly was, it must be said, little possibility of revenue farmers building up a following in peasant societies, but I would suggest that the explanation lies not in the fact that farmers were outsiders but that as farmers they had every incentive to collect as much in taxation as possible and to exercise deception in the provision of goods and services.[4] It might be more appropriate simply to say that at the time the Chinese were the only people who had the organization, knowledge, and capital to operate the larger farms.[5] In any case, in many areas Chinese became revenue farmers precisely because they exercised great political power. In pioneering mining and plantation areas it was invariably the Capitan China, recognized by the government as the most powerful Chinese leader in his area, who either held the farms or had a dominant share in them. It would have been impossible to grant the farms to anyone else.

Here an important point must be stressed, and that is that no government could impose any form of taxation without some organization and power of its own. In West Borneo the Malay chiefs who in the eighteenth century encouraged Chinese to work the gold deposits in the interior at first monopolized the supply of provisions, including rice, opium, and tools, which they sold at inflated prices, and demanded large annual tributes, but as the Chinese became more numerous and developed their own governments they were increasingly able to defy these impositions. The chiefs, writes Wang, "were completely unprepared for the emergence of a new political power--the kongsi-- which was to overshadow them" (p. 60). When a group of these Chinese later moved to Bau on the upper reaches of the Sarawak River to mine gold they set up their own administration, judicial system, and coinage. For many years after James Brooke established himself at Kuching the Bau Chinese resisted his demands that they take a quota of opium and pay other taxes (Lockard). To take two more examples, it would appear that when Jacob Nienhuys began cultivating tobacco in Deli he imported opium without reference to any political authority (Schadee, I, 174) and that for some years at least Yap Ah Loy did not pay any Malay chief for the gambling booths and opium shops he ran in Kuala Lumpur (Middlebrook).

As far as the collection of revenue by farms is concerned, a government at least had to have the power to grant a farm, receive rent from it, and, if unable to take back the farm at the end of its term, at least negotiate a renewal of the contract. Without this power either of two things happened. First, the farm could cease to exist. This is what happened in Larut when the Chinese headmen forced the Mentri to abandon the gambling farm and removed him from involvement in the truck system. "My impression is that in the main they govern themselves", commented a visiting British official in 1872 (Gullick, "Larut", 22). Or, second some other political leader or government could appropriate the right to grant the farm and collect rents from it. This second possibility required some elaboration.

Throughout Southeast Asia revenue farms were established at a time when political systems were, in keeping with the technology and methods of communication then available, highly decentralized.[6] The degree of decentralization varied, however, from area to area and over time, as we can see by considering this in relation to the farms. The case of mid-nineteenth century Siak was perhaps typical of many Malay states of the time. At the time of the Siak Treaty of 1858 the Sultan had a few farms of his own, including the farm for the sale of opium along the Siak River, and he shared the proceeds from some other farms with the regent and others, while the Laksamana farmed out, apparently entirely for his own benefit, the monopoly for the sale of salt and opium in that part of Siak regarded as his personal realm (K6119). In Perak the Sultan farmed out a number of revenues in the Perak River

Valley, while the Mentri, in so far as he controlled the Chinese in his district, granted lucrative farms to the headmen at Larut. The Mentri kept all the revenue from these farms even though by custom the Raja Muda was assigned the income from all gambling houses, opium saloons, and spirit shops in the state (Wilkinson, 135; Gullick, "Larut", 25-26; Birch). In Trengganu in the nineteenth century the Sultan farmed out various taxes and monopolies in the lower reaches of the Trengganu River, while the district chiefs, who earlier had collected revenue on behalf of the Sultan but who were now eager "to exploit the expanding trade in commodities", had farms of their own in their respective river systems (Shaharil, 50-51). In other "states" control over the farms was somewhat more centralized, or at least their rulers were attempting to make it so. The Temenggongs of Johor had ultimate control over the farms they granted right from the start of their attempt to build up a state at the southern end of the Malay Peninsula. Indeed, control over the farms and the kangchu system of which they were an essential part was the very basis for the establishment of Johor as a state (Trocki). Likewise, the Sultan of Kedah's firm control (at least up to the early 1890s) over the main farms in the state contributed greatly to his ability to resist potential colonial intrusion (Sharom).[7] Unlike his counterparts in other sultanates the Sultan of Kedah did not have to face the challenges posed by figures such as the Mentri at Larut who used newly found sources of wealth to establish their independence from the "centre". Finally, in the 1820s Rama III began granting more and more farms as a way of bypassing the provincial governors, who wanted to keep for themselves as much of the revenue raised in their provinces as possible, though, as Hong puts it, "with time, the farmers were able to purchase the goodwill of more and more provincial leaders" (pp. 385-86, 393). In short, the degree of centralizing control over the granting of farms varied considerably. To put this in more general terms, however, any political leader (or government) wanting to grant farms had to have a measure of power in relation to other authorities that might grant them. To grant a farm was to exercise power.

The primary reason political leaders granted farms was to receive rents at regular intervals. But they used farms in a number of other ways as well. Three deserve particular mention. First, much like the kings in pre-Revolutionary France, Southeast Asian rulers used farms as a source of loans, at a time when few if any other sources of credit were available to them. Thus, the ruling elite in Trengganu continually pressed their farmers for loans, which they often failed to repay. In Asahan the following was one of the conditions agreed to by the farmer of all the principal sources of revenue:

> If rebellion occurs in Asahan or this realm is threatened or the prince wants to go on a trip at a time when he lacks money, then the farmer must advance a year's rent or if necessary more, and he can supply bullets and gunpowder to reduce his rent...(K3077)

Second, as long as there was fairly open competition for the farms, farms enabled those who granted them to increase their revenues at roughly the same pace as production and trade increased, for as conditions prospered businessmen would be prepared to offer higher rents for the privilege of holding the farms. In fact, Hong argues that "the automatic escalation of state revenue in proportion to the profitability of the farm was the cornerstone of the dynamics of the tax farming system" (p. 391). And, third, from an early time some governments used farms not only to tax wealth but also to encourage investment. The farmer had an incentive to invest labor and capital in the territory for which he held the farms, for such an investment would lead to greater production and trade, increases in exports, opium smoking, gambling, drinking, and other activities for which he might hold farms, and, because the rent was fixed for the term of the contract, greater profits from the farms. Indeed, it might be the farms that allowed a businessman to make an overall profit on his investment. As Gullick ("Larut", p. 47) puts it, the farms allowed Chinese capitalists to participate in the indirect profits of their own investments. Although the government's income was fixed for the duration of the contract, it could, as mentioned in the previous point, expect a higher rent after the farms were renewed. It is difficult to ascertain when political leaders first began to use farms in this way as a matter of deliberate policy, but I assume that the Temenggongs of Johor fully realized the potential of farms as vehicles of investment when they set up the kangchu system, as did Long Jaafar when he granted farms to the Chinese businessmen whom he encouraged to open mines at Larut. The contract for the Asahan farms simply stated that "the farmer promises to encourage the trade of Asahan". The rent would be increased "as soon as this trade flourishes", presumably after the term had expired, though this is by no means clear.[8]

As we have seen, governments could use farms for a variety of purposes. But they paid a premium for not collecting the revenue themselves. This premium was the amount that farmers collected over and above what they had contracted to pay the government. This was money which, at least in theory, might have gone to the government rather than the farmer. We cannot know how large this premium was, but some speculation on its size may suggest further ideas about the distribution of power in the early years of the farms. In general, the size of the premium depended on the relative bargaining strengths of, one the one hand, the government or political leader granting the farm and, on the other, the businessman holding the farm: the greater the relative bargaining strength of the farmer the greater the premium. The excerpts from the contract for the farms of Asahan quoted earlier would suggest that the ruler held the upper hand and paid a very small premium. Generally, however, it would appear that in the early years governments paid a very high premium. In the case of many forms of taxation governments were entirely dependent on farmers if they were going to collect any revenue at all. At the same time there was often little competition for the farms. In some cases this was because there were few businessmen of sufficient means, either organizational or financial, to operate the farms. In other cases a businessman's power, very likely based on leadership of a secret society, was so great in relation to that of other businessmen that he could intimidate them into not submitting bids for the farms. If, however, a businessman could not dominate the others to this extent, he might, out of fear that his rivals might undermine his business if he won the farms, instead collude with them to keep bids down and then share the extra profits from the farms. Governments also paid a premium when businessmen successfully bribed officials to give them preference when awarding the farms, thereby benefiting the officials personally but not the state as an institution. In yet another set of cases competition was almost totally absent. This occurred when governments quite deliberately gave farms to the most powerful Chinese headmen in the area because the political and economic consequences of not doing so could be immense. By granting a farm to such a headman the government made an alliance.[9] To put it differently, the government in effect forwent some of the revenue it might (again, at least in theory) have received in return for the services the headman provided in controlling the people under him and expanding production and trade in the area.[10] In the early years governments paid a premium not only when contracted rents were low but also when the farmer failed to pay these rents. Often governments had little choice but to accept reduced payments, even if officials doubted the farmer's claim that a downturn in business prevented him from meeting his obligations, as it was usually clear that no other businessman would be prepared to pay more for the farms. In brief, in the early years the balance of power was very much in the farmer's favor. But all this was about to change.[11]

II

In the second half of the nineteenth century a profound political change took place in Southeast Asia as first the Netherlands and then Britain incorporated vast areas into their new colonial realms, the Netherlands East Indies (NEI) and British Malaya. Under the Bowring Treaty of 1855 Britain imposed many restrictions on the Thai monarch. One of these was that, in keeping with Britain's "imperialism of free trade", import and export duties were set at very low levels, thereby increasing the king's dependence on other sources of revenue, most notably the opium and gambling farms. Within the limits imposed, however, the Thai king at Bangkok conducted himself in much the same way as the Dutch governor general at Batavia and the British governor at Singapore. In particular, he too expanded his territorial control as he began incorporating princely states and sultanates over which he claimed sovereignty. For both the colonial governments and their Thai counterpart new technology in weapons, communications, and transportation and new forms of organization helped them to extend their rule.[12]

As part of this extension the Dutch, British, and Thai governments took over the power to grant farms in the areas they began to administer. Under the terms of the Siak Treaty of 1858 the Dutch claimed the right to take over all taxes in "Siak and dependencies" at some future date in exchange for appropriate compensation. The treaty also allowed them to declare all "foreign orientals", of whom the Chinese were by far the most important, to be direct Dutch subjects. In 1863 the Dutch acted on both provisions. The NEI government took over most of the farms and awarded the Sultan, the regent, the Laksamana, and other leaders compensation roughly according to the incomes they had received from them (K6110), and it declared "foreign orientals" to be Dutch subjects, thus bringing the Chinese, including those involved in revenue farming, under Dutch law. This set the pattern that the Dutch followed as they extended their control up the east coast of Sumatra and elsewhere in the archipelago. It was as late as 1909 when the Dutch compensated the Sultan of Riau-Lingga for the loss of some of his farms (K583). On the Malay Peninsula the British took over the farms in Perak about a year after the Pangkor Engagement of 1874. Instead of awarding specific compensation, however, the colonial government granted members of the ruling elites of Perak, Selangor, Sungei Ujong, and, later, Pahang, pensions and allowances according to British perceptions of the Malay hierarchy. Under this arrangement the Mentri of Larut, who at one time derived great sums from the farms, was reduced to a small income. At about the same time King Chulalongkorn began appointing commissioners to the princely states in the upper reaches of the Chao Phraya River. There revenue farming was a very recent innovation. Seizing the opportunities provided by economic changes associated with the teak industry, the _chao muang_ of Chiangmai had introduced several farms in 1873 to pay a large debt to the king. At first the commissioner merely ratified the _chao muang_'s decisions on the granting of farms. Later, however, the _chao muang_ had to ask for the commissioner's approval before a farm could be granted. It would appear that one reason for this was to make it more difficult for the _chao muang_ and the other _chaos_ to collude with potential farmers at the expense of the treasury in Bangkok (Ramsay). The Thai monarchy might also have extended its control to Kedah, Kelantan, and Trengganu. The rulers of these states periodically sent the _bunga mas_ to the king as a symbol of his sovereignty, but, commented an anxious British official in 1889 after a visit to Kedah,

> it may be doubted whether the Siamese will always be content with this arrangement. Cupidity may always be aroused in Bangkok by the offer of some Chinaman willing to take a revenue farm in Kedah, the rent of which might be remitted at once to the Capital. The authority of the Raja might thus be encroached upon at any time (Maxwell, 5).

As it turned out, it was Britain rather than the Thai king which encroached on the authority of the rulers of the northern Malay states. But the British confronted far stronger ruling establishments in these states than they had earlier in Perak and Selangor. Thus, the appointment of British officials to Kedah and Trengganu did not mean full British control over the farms. In Kedah the state council, which by this time had begun abolishing some farms, exercised a great deal of control over the operation of the system, and the money raised from them remained within the state, as it did in Trengganu, where the sultan was beginning to supervise the farms within his state more closely. In brief, the expansion of the colonial and Thai states, led to a massive, but by no means complete, consolidation in the power to grant farms and enjoy the income from them.

In many respects the two colonial governments at first used their newly acquired farms much as earlier governments had. For both the Dutch and the British the farms were welcome and even essential sources of revenue. The farms helped them to begin collecting revenue almost immediately without any investment of capital, with only a rudimentary administrative apparatus, and only limited political control. Both governments used the farms to tax the immense increase in production and trade that took place beginning in the 1870s. In particular, farms made it possible to tax the "luxuries and vices" of the Chinese who began coming into Southeast Asia in still greater numbers to work on the mines and plantation and in the towns. In 1884 the farms of East Sumatra, where thousands of Chinese went to work on the tobacco plantations, contributed about 80 percent of the total of f2.5 million raised in that residency, providing a surplus of about f1.5 million (Schadee, II, 8). Moreover, colonial officials continued to use the farms in conjunction with the capitan system as a way both of controlling the Chinese and deriving an income from them. As Gullick puts it, "the secret society headmen were co-opted into the administrative system, not driven into opposition against it" ("Larut", 43). And, at least in the four states that later became the Federated Malay States (FMS), officials quite deliberately used the farms as a way of encouraging investment. In fact, they were prepared to accept low rents for the term of a farm if, as a result of the farmer's investment of labor and capital, they could look forward to increased income from the export duty on tin and, equally important, a much higher rent from the farm when it came up for renewel.[13] We can see all of these considerations at work in the reasons the Resident of Perak, Hugh Low, gave in 1879 for granting the Larut farms to the Capitan China, Chung Keng Kwee, even though his tender had not been the highest one:

> ...secondly, the prices to be paid by Capitan Ah Kwee are much in advance of anything hitherto realised, and in my belief as much as the farmers can fairly afford to pay; thirdly, the

> gentleman to whom it is proposed to lease this is the present farmer and he has a large sum of money invested in the business, he has always been the chief adventurer in the mines of Larut, has lost a large fortune in the business in former times, and he is the most staunch supporter of Government in the district (Wilkinson, 205).

But, as Low's remarks indicate, an important change was taking place: governments were beginning to force businessmen to pay more to hold the farms. The Resident gave Chung the farms in preference to a higher tenderer, but the Capitan had had to offer a very substantially higher rent than he previously had. In Selangor the Capitan China, Yap Ah Loy, was at first granted the Kuala Lumpur farms "without being obliged to enter into competitive tender for them" (Middlebrook, 91), but in 1882, by which time the residency had been moved to Kuala Lumpur from Klang, the Resident called for tenders. Yap held the farms after offering vastly increased rents (Chew, 71-72). Two years later the Selangor government deliberately awarded the Kuala Lumpur farms to a group of businessmen in Penang in order to bring in capital from that source; Yap was able to disrupt the operation of the farms sufficiently to force the Penang syndicate to give him a share in the contract, but he was unable to take it over (Gullick, "Kuala Lumpur", 74). And, to take another example, beginning in about 1900 the government of the Straits Settlements adopted the practice, after tenders were opened, of bargaining with tenderers for the big opium and spirit farms to try "to get the price raised by setting one syndicate in competition with another" (OCR, II, 529), a tactic that does seem to have raised contracted rents quite considerably. Thus, competition for the farms was increasing. There were, it should be noted, forces countering this trend toward greater competition. First, the governments began combining farms into larger and larger units. All the opium farms for the many "native states" along the northeast coast of Sumatra, for example, were combined into one great opium farm for the East Sumatra Residency. In Selangor and Perak the gambling, spirit, and pawnbroking farms were combined into "general farms" that were leased first district by district and then for a whole state. The result was that only a small number of individuals and syndicates had the capital and organization needed to operate these mammoth farms, thereby, as Adam Smith pointed out in his diatribe against revenue farming, restraining competition (pp. 853-54).[14] And, second, there was always the possibility that officials could be induced for purely personal reasons to favor one or another businessman to hold the farms. Nevertheless, it would appear that the general trend was toward greater competition.

Before elaborating on this last point we need to discuss an important shift in the balance of power that took place in the last two decades of the nineteenth century and the early years of the twentieth: governments were becoming stronger in relation to farmers and the Chinese political structure in general. Governments began introducing more and more restrictions on what farmers were allowed to do. Everywhere where there were opium farms governments placed greater restrictions on how opium was to be prepared and sold. And, to take a small example, the FMS government ruled that no pawnshop could be within first fifty and then one hundred yards of a gambling house. By themselves new rules and regulations meant little. There had to be enough officials to enforce them and these officials had to want to enforce them. In Java the opium hunters, whose job it was to apprehend smugglers, very quickly adapted to the world of rural Java and to the particular interests of the farmers, even though they were government employees (Rush, 174-179), and in 1894 Fokkens commented that the Chinese who operated the pawnbroking farms quite easily made money at the expense of borrowers "in districts where, out of indifference or out of weakness, lack of time, or whatever, the European administration takes little interest in the auction of unredeemed goods". In East Sumatra the Chinese Major and Capitan, who invariably held at least a large share of the big opium and gambling farms and who therefore had an interest in "slackness of administration and the sleep of the Judiciary", offered stupendous prices at auctions held by departing officials (van den Brand, 19). And, to take one last example, the first commissioner appointed to Chiang Mai by King Chulalongkorn profitted personally from the farms he had been sent to supervise (Ramsay, 90). Nevertheless, gradually and haltingly, governments did begin to extend their influence into matters they had previously left to take their own course. Though hardly as effective as the government had hoped, the opium hunter system, argues Rush, constituted "an important structural innovation in the exercise of European authority in rural Java" because the police mantri "stood outside the pryayi patronage hierarchy, their fates closely tied to success within a European hierarchy, however corrupted" (pp. 179-180). An important part of the extension of governmental control was simply the expansion of official knowledge about how the farms operated, often, in the case of the British and the Dutch, at the instigation of the home governments. The Fokkens report was just one example of this attempt to find out what was going on within areas governments now wanted to control and direct rather than simply oversee. At times these reports were like voyages of discovery, as in 1905 when, with almost uncontainable enthusiasm, Colijn described how the salt farm was an integral part of the fishing industry at Bagan Si Api Api, then one of the greatest fishing ports in the world (K468). Thus, as time went by, governments amassed more and more information that could serve as the basis for debate and decision. Equally important, it was becoming increasingly likely that decisions would actually be carried out. In no small part as a result of the revenue generated by the farms, bureaucracies grew in size, and it would appear that they also grew in internal discipline. There were some places, particularly the towns, wrote Fokkens, where "corrupt practices cannot happen ... because the head of the local administration personally concerns himself with the sale of pledges". Finally, a crucial aspect of this extension of control was the increasing restrictions governments were able to place on Chinese secret societies, the activities of which were now being reported by Chinese-speaking officials. Altogether, governments were in an increasingly powerful position in relation to the farms.

We can now return to the earlier point. As far as the farms were concerned, the extension of governmental power meant two things. In so far as it prevented any one businessman or syndicate from dominating all the other it promoted competition, raised rents, and reduced the government's premium. In so far as it resulted in the enforcement of rules and regulations, however, it meant that farmers were unable to exploit their farms in quite the same unfettered and profitable way they had before. In short, the government's premium was getting smaller not only because the government received more of what farmers collected but also because the farmers collected less as a proportion of what they might conceivably have collected if left to their own devices. To put it differently, as governments became stronger the farmers' margin for error became smaller. Revenue farming was becoming an increasingly risky business. It would become even more so if the farmers' traditional safety net--successful appeal for a reduction or deferral of rents when for one reason or another they were unable to meet their obligations--was suddenly removed.

Over a period of about thirty years beginning in the mid-1880s several big farm syndicates either were ruined or came close to collapse. In broad terms the same thing happened in all cases. First, having outbid rivals by offering exorbitant rents for the farms, these syndicates found themselves unable to meet their contractual obligations. Usually this was because of a dramatic downturn in the economy, as happened in Java in the 1880s and the FMS in 1907-1908, but it could happen for other reasons as well. In Thailand the syndicate which took over the newly amalgamated opium farms for the central provinces in 1905 was undermined when the previous syndicate dumped cheap opium on the market. However it happened, the farmer would then appeal to the government for a reduction of rent or, if that failed, a deferral of payments. Such appeals were not new, but the way governments responded certainly was. In the past political leaders and governments had been reluctant in the extreme to give reductions or deferrals. They wanted the revenue; they reasoned that if farmers could enjoy great profits in goods times they should, like all businessmen, be prepared to suffer loses in bad; and generally they distrusted any figures farmers used to support their appeals. But usually they had given in to appeals, granting a reduction or at least a deferral, knowing that they could not afford to ruin the leading businessman of the area, that if they were to sell off the farmer's security they probably would not get a high return in depressed conditions, and that in any case no one else would be prepared to take on the farm at a higher rent. More and more, however, government insisted that farmers either pay the rent in full or forfeit their security. Governments sometimes gave farmers the opportunity to reform their syndicates, but they pressed unremittingly for payment. In Java several syndicates collapsed in the face of government pressure, while in the FMS the farmer lost all the property he and other members of his syndicate had put up as security. The Thai government was slightly more flexible, but after protracted negotiations and reconstitutions of the farm it refused any further revisions and ultimately decided that it had no choice but to abolish the farms altogether (Brown, 271-86).

The fate of these and other farm syndicates is the best indication of the greatly increased power of governments in relation to farmers. But in so far as governments continued to rely on farms their control over an essential aspect of government, the collection of revenue, was in a sense limited. Here we need to emphasize the point made by Matthews that the relationship between farmers and governments was contractual rather than bureaucratic in nature. Just like the royal controller-general in pre-Revolutionary France, governments in Southeast Asia "did not, and could not, command" the farmers. Instead, they "negotiated with them, seeking not obedience but bargaining advantages" (p. 32). The implications of such a relationship were many. Officials could make only educated guesses about how much money was actually being collected from taxpayers. They found it nearly impossible to introduce reforms during the term of a farm, for the farmer could either demand a reduction in his rent as compensation or claim breach of contract. Even when they introduced reforms at the start of a new farm term they could not be sure that the farmer would carry them out in the way intended or that he would carry them out at all. If a farmer refused to cooperate the only way they could enforce compliance was to charge him with an offence and bring him before a court, but such a procedure was cumbersome, not necessarily effective, and sometimes not even possible. As de Wolff wan Westerrode commented in 1902 with respect to the pawnbroking farms in Java, "so many practices that disadvantage borrowers are not covered by criminal law". Finally, as we have just seen, governments had to take elaborate steps in order to extract payment from farmers who failed to meet their side of the contract. Thus, the government's control over the collection of much of its own revenue remained anything but bureaucratic in nature. Within the space of a few years, however, bureaucracy was to triumph.

III

Throughout Southeast Asia the revenue farming system came to an end with startling rapidity. The NEI government began abolishing the opium farms of Java and Madura in 1894 and then in the other islands in about 1905, as did the British in the Straits Settlements in 1909. On Java the Dutch began abolishing the pawnbroking farms in 1903, as, again, did the British in the FMS in 1910. Both the Dutch and the British colonial governments abolished the major gambling farms between 1910 and 1918. In Thailand the government began abolishing the opium farms in 1907 and then the other large farms soon after that. The last major farm to be abolished was the great salt farm at Bagan Si Api Api, which was terminated in 1920. Revenue farming, begun in various parts of Southeast Asia at different times over more than two centuries, virtually disappeared in a quarter of a century.

The reasons governments had for wanting to abolish the farms varied according to time and circumstance, but some generalizations are possible. To some extent the desire to abolish the farms had nothing to do with the farms as such but rather with the fact that the large ones were invariably operated by Chinese. Indeed, revenue farming and Chinese must have seemed inextricably linked to one another at the time.[15] In Java in particular many officials, increasingly imbued with "ethical" sentiments, hoped that by abolishing the farms they could bar the Chinese from the countryside, where, as officials saw it, they exploited the helpless Javanese not only by means of the farms themselves but also by private trading. In Thailand, Brown suggests (p. 266), the government's desire to abolish the farms may have been partly motivated by a desire to break the Chinese secret societies, which depended quite heavily on the money from the farms. In all areas many officials and other political leaders shared the vague fears of the "Yellow Peril" common in Europe and the United States at the time. The desire to abolish the farms was often closely tied to objections to the particular goods and services the farms provided, as distinct from the fact that they were provided by farms. A small number of officials and, in the case of the colonial territories, many more political leaders in Europe advocated the suppression or at least restriction of opium consumption. In the case of public gambling the view was growing that it should, if possible, be declared illegal. Officials in the NEI and Malaya observed in their reports how mine and plantation workers often lost their year's wages in a single gambling spree, while in Thailand the political elite was concerned about the effects of gambling on the Thai population.

Most of the reasons governments had for wanting to abolish the farms, however, were bound up with the nature of revenue farming itself. One of the attractions of a farm was that, ideally, the government was assured a stable income, even if it paid a high premium for this. At a time when governments were planning budgets with greater care, and with more ambitious projects in mind, the failure of many farm syndicates demonstrated, however, that farms were anything but reliable sources of revenue. And at a time when governments were taking an increasingly active interest in what happened within their territories reliance on farms greatly undermined the power they now wished to exercise. For reasons outlined earlier, governments had only limited power to bring in "reforms" as long as the farms continued to exist. Moreover, a farm was, by its very nature, an imperium in imperio, often a very large one, particularly when several big farms were held by one powerful farmer. At one stage this aspect of revenue farming was not only tolerated but welcomed, for farmers, in their capacity as capitans and leading businessmen, provided administration where governments were unable to supply it. More and more, however, officials and other political leaders felt uncomfortable about the imperium in imperio. At worst it was a blot on the government's sovereignty. "I do not look upon it as dignified for the Government to farm out the collection of its duties", declared a British Resident (OCR, II, 700). At best the imperium in imperio was a nuisance. Many of the people who testified before the Singapore and FMS Opium Commission complained bitterly about the tactics employed by the chintengs trying to protect the business of their bosses, the opium farmers (OCR, I, 24). In general, the consensus was that there was a fundamental conflict of interests between farmer and state. To look at this conflict from the point of view of the state, the farmer tried to maximize his income at the expense both of the state's revenue and of the rules and regulations the state tried to impose. In the case of the gambling farms, for example, more and more officials came to regard the long-held view that the farm served to restrict gambling because it was in the farmer's interests not to allow gambling except in his own gambling dens as another but a sham, for the farmer took every opportunity to encourage gambling on mines and plantations and in private homes in order to take a cut on the profits. Looked at in this way, the farm system had to be abolished if suitable alternatives could be found. Finally, in the FMS at least, farms simply ceased to be seen as a means of encouraging the investment of labor and capital as western capital and non-Chinese labor became increasingly important elements in the economy. In this respect, unlike so many others, the farm system did not stand condemned; it was simply superceded.

Thus, there were many powerful arguments against the farms. But the great question governments faced was what should take their place. In principle there were four possibilities. First, the government could take over the collection of taxes and the operation of monopolies itself, thereby incorporating them directly into the bureaucracy. Second, it could abolish the farms but still license individuals to undertake much the same activities, such as the operation of pawnshops or gambling houses, on payment of a fee, the amount of which could be either fixed by law or determined by competitive tender. This arrangement was very similar to a farm except that no one individual would have a monopoly in a particular territory. Third, the government could abolish both the farm and the tax itself. And, fourth, in the case of "vices" it could not only abolish the farms but also declare illegal whatever goods or services the farm had provided. Each of these possibilities had certain implications. In the first the government would presumably enjoy the profits the farmer had kept for himself and be able to collect the tax or operate the monopoly as it wished, but it had to have the necessary administrative structure. In particular, it had to have properly trained and honest employees. In the second possibility the government's administrative costs would not be nearly as great as in the first, though it would at least have to ensure that licence holders would not be as great as it could be over its own employees and, particularly if fees were fixed, its loss of revenue could be great. In the third no administrative apparatus would be required, but the government would lose a possibly lucrative source of revenue. And in the fourth the government not only lost a source of revenue but also had to bear the cost of preventing the newly illegal activity from taking place. A properly trained and trustworthy police force was essential, for otherwise the result would be the worst of all worlds: the activity would continue, the police would be corrupted, and the government would get no revenue.

It is significant that the first major steps to abolish farms were taken on Java, which by the 1890s had the most elaborate bureaucracy in Southeast Asia. But the decision to replace the opium and pawnbroking farms with government monopolies did not come easily.[16] On one side were those who argued very strongly that it was better to continue reforming the farms, however unsatisfactory they might be, than it would be to set up new departments. The government would find it impossible, they insisted, to prevent its employees from engaging in malpractices just as the farmers had. The result would be corruption and loss of revenue. On the other side, those who advocated government-run monopolies believed both that revenue would increase and that the government would be able to control opium smoking and pawnbroking far more effectively than it had under the farm system. The premise behind these arguments was that the government could in fact control its own employees in a way that it could never control the farmers and their employees. "As they will be in the service of the State", wrote Fokkens in 1894 in advocating government-run pawnshops, "it will be possible to punish the personnel of pawnshops administratively as well as criminally, and so they will not so quickly engage in corruption". "The Government can punish, sack, demote, or deny promotion to its own employees", added de Wolff in 1902. "By means of such administrative punishments the Government can ensure that the regulations are followed not only to the letter but also to the spirit". That such notions of bureaucratic control could not be assumed but had to be argued indicates just how great a change was taking place in thinking about the nature of government.

As it turned out, the advocates of government-run monopolies, backed by powerful supporters in the Netherlands, won the argument. The staff of the new opium regie and pawnshop service were, as Rush puts it, "employees of a modern rationalized bureaucracy" (p. 275). The farms had been "rational" in their own way. Presumably accounts had been kept (even if officials seldom saw a "true" set), discipline imposed, and employees promoted according to their contribution to the farm's business. But now the employees, Javans educated in government schools, were, to repeat Fokkens, "in the service of the State", not a semi-autonomous body. In the case of the opium regie some of the sales mantri in charge of retail outlets took advantage of their positions by conducting various illicit businesses on the side, but for the most part employees in both departments adopted "Dutch conceptions of propriety and decorum" (Rush, 276). As well as imposing internal discipline the new departments had to protect themselves from external threats. When the pawnshop service was first introduced the Chinese who still held farms tried to subvert the new department by organizing rings to control the bidding at auctions of unredeemed goods. The department successfully countered this by opening sales rooms at which it sold goods for which no bids greater than the reserve price, equivalent to the value of the loan and unpaid interest, had been offered at auctions (Furnivall, 4). Altogether the degree of state control, the degree to which the state made its presence felt, had increased markedly.[17]

Having introduced the opium regie in Java, the NEI government gradually extended it to the islands outside Java. This was done after officials meticulously calculated the costs of bringing in the regie (in most cases they thought it likely the government would make more money than it had under the farm system) and, in keeping with the policy that opium could not be purchased on credit, persuaded mining and plantation companies to give their workers enough ready cash at regular intervals to allow them to buy opium. The last important place to be taken over by the regie was East Sumatra. There Tjong A Fie, the last of the powerful capitans, held the farm right up to the end, enjoying great profits and even driving a hard bargain when the government decided to postpone introduction of the regie (K824). One suspects that the government had paid an especially high premium in East Sumatra.

In Malaya there was little debate whether to abolish the opium farms, for in both Singapore and Penang the farms had been in considerable financial difficulty. There was also less debate than there had been in the NEI about whether the government could effectively operate and policy the monopoly. By this time the Dutch had demonstrated that a government monopoly was not only possible but also immensely profitable. The great debate concerned whether to bring in a government monopoly or to suppress opium smoking. Taking the view that opium was not harmful if taken in moderation, the opium commission recommended introduction of a government monopoly, which, it was argued, would restrict excessive consumption by raising prices. By accepting this argument the government ate its cake and had it too. On the one hand it comforted itself that it was doing something to control opium smoking. On the other it continued to derive the bulk of its revenue from the Chinese workers who consumed most of the opium rather than having to impose taxes on incomes or trade. Though at the time of the opium commission debate focused on the effect of opium smoking, the fact that the monopoly was a <u>governmental</u> undertaking was as significant as it was in the case of the NEI. In the early 1890s, when officials had first discussed the possibility of abolishing the farms, a government monopoly had been considered impossible. Equally significant, the NEI cooperated very closely with the British by supplying information about their regie, timing the introduction of the regie in Riau and along the eastern coast of Sumatra to coincide with the introduction of the opium monopoly in Malaya, and working with British authorities to stamp out smuggling (K568, 684, 766). As the two colonial states strengthened, the "gaps" between them became smaller and smaller. The lines of the imperial map were at last beginning to mean something.[18]

Like their counterparts in Malaya, officials in Thailand took the view that the opium farms had to be abolished. As mentioned, the great farm for central Thailand was in shambles. Unlike in Malaya, however, there appears to have been little consideration of the possibility of suppressing opium consumption. Instead, debate raged over the issue of just what sort of government monopoly should take the place of the farms. To put it differently, the debate concerned differing assessments of the level of "stateness" that had been achieved by the Thai state. The Minister of Finance insisted that the government immediately set up a full-scale opium monopoly modelled on the regie in the NEI. The senior official supervising opium matters, however, vigorously argued that the government was not prepared to operate such a monopoly. In his view there were simply not enough properly trained and trustworthy officials available to run a new department--the Thai government was not quite ready to adopt the policies of the colonial states. Therefore, he argued, the government should abolish the farms but replace the distributors (i.e., sub-farmers) who had been part of the farm system only as qualified officials became available. After prolonged discussions it was this policy that the government adopted. It took eleven years before all the distributors could be replaced by government officials (Brown, 291-305). Thus, as in the NEI and Malaya, the opium farms were replaced by a government monopoly, but the transition took place somewhat less rapidly than in the two colonial territories.

A further indication of the increasing power and presence of the state was the abolition of the gambling and salt farms. In the FMS and the NEI the gambling farms were abolished because of the increasingly influential view, particularly among politicians in the home countries, that the farms promoted an especially pernicious vice, that they did so with the tacit approval of the state, and that it was morally indefensible for the government to benefit from the sufferings of gamblers. The FMS government replaced the gambling farms with a licensing system in which it called for bids to operate a fixed number of individual gambling houses. This arrangement proved to be fabulously profitable, but under further pressure from the Colonial

Office the government declared most forms of gambling illegal. At the time this step was taken the government was enjoying a revenue surplus and could look forward to increasing revenue from such sources as the railways and the export duty on rubber. Even more importantly, a fundamental aspect of the decision to abolish the gambling farms and then the licensing system was the view that the police force was both large enough and honest enough to carry out the government's policy. In the NEI the principal gambling farms were in Bangka, Billiton, and East Sumatra, all of which had large populations of Chinese workers. Following a policy already adopted in Java, the government abolished the farms and replaced them with a system which allowed local officials to issue temporary licenses for gambling on payment of a set fee. Gambling was not declared illegal as it was in the FMS, but it was greatly restricted and the loss of revenue was great. By the time the government finally abolished the gambling farms (there were many delays prompted in part by an extreme reluctance to forgo such a large source of revenue), Chinese as well as European reformers were pressing the government to restrict gambling.

Much like the opium farms, the great salt farm at Bagan Si Api Api was converted into a government monopoly. Colijn's report of 1905, however, contained no hint that the government would consider abolishing it. In fact, Colijn argued that the farm was the best possible means of promoting the fishing industry at Bagan Si Api Api. The farmer, he wrote, deliberately sold salt to fishermen at a lower price than the maximum stipulated in his contract, for in this way he greatly increased consumption and thus his overall profit. The salt provided by the farmer was, moreover, much cheaper and of better quality than the salt sold by the government salt monopoly in most other parts of the NEI. A few years later, however, the system began to break down. As competition for the farm increased, the rent went up but so too did the price at which the farmer sold salt to the businessmen who in turn supplied the fishermen. In order to offset the decline in consumption the farmer sold more and more salt on credit, but when he pressed for payment about half the businessmen went bankrupt, he lost a great deal of money, and the government's revenue was jeopardized. It was against this background that the government eventually decided to extend the government monopoly to Bagan Si Api Api. In the case of opium the government justified a regie on the grounds that it had a responsibility to restrict consumption. In the case of salt, however, the arguments were presumably of a primarily commercial nature. In any case, the establishment of the government salt monopoly at Bagan Si Api Api indicated the power of the state to take over activities that earlier it had had to contract to private individuals.[19] The fishermen of Bagan Si Api Api, almost completely independent of any "state" authority in the late nineteenth century, were now firmly within the reach of the NEI government.

IV

By the time the farms were abolished the state in Southeast Asia was a very different institution from what it had been when farms first became important. In the early years there were many highly decentralized political entities, within which farmers often exercised great independence. At the same time, however, control over farms at least enabled governments to tax the expansion in production and trade. Tax farming may be regarded as a compromise. It was based, as I have argued, on a division of authority. But it was, as Wallerstein puts it, one of those "useful compromises" that were an essential part of state building (p. 30). As it turned out, many early political entities lost control over their farms, and indeed often ceased to exist as meaningful political units, as the Dutch, British, and the Thai governments centralized, consolidated, and extended governmental power. As McVey puts it, the change that took place "was not simply a matter of transferring power from one center to another, but of an increase in the power available to any center at all" (p. 12). As part of this process, made possible in no small part by the revenue generated by farms, the balance of power between government and farmer began to shift toward government. At first governments imposed more and more restrictions on the operation of the farms, and they began to weaken the Chinese political system. Ultimately, of course, governments abolished the farms altogether and, in several cases, replaced them with government-run monopolies. During the time the farms were in existence the level of "stateness" in Southeast Asia had increased to a truly revolutionary extent.

NOTES

1. Often the terms "government" and especially "state" are inappropriate when discussing this early period, but "political leaders" may be no better.
2. It might be argued, however, that they had an indirect effect by undermining the health and efficiency of the peasants and workers producing exports and, as Amsterdam merchants complained in 1881 (K3476), lessening their ability to buy imports.
3. "In the early years" means different dates for different parts of Southeast Asia. Obviously the problem of periodization raised by any attempt at a general study of revenue farming needs to be addressed.
4. This suggestion will no doubt require qualification. Perhaps, in peasant societies at least, it was the combination of being both a (relative) outsider and a farmer that mattered, as suggested by Scott's comments about the collection of the tithe by farmers in pre-Revolutionary France: "they [rural communities] ... often faced a tithe agent who was a stranger with no incentive to look the other way. They also faced a tithe agent who had to recover his 'sunk costs' (that is, his contract with the tithe owners) before any profit was possible and who came directly to the field at harvest time to make his collection. This, of course, is the point of tax farming, in which the state passes the risk of collection costs on to the tithe agent while assuring itself a guaranteed return"(p.444).
5. It of course should be noted, as Cushman emphasizes, that non-Chinese often held farms, mostly "the less lucrative farms set up to collect taxes on agricultural produce" ("Going", 5).
6. "Decentralized" hardly seems adequate. Power was dispersed but certainly not in the way it is in, say, Australia. "For Southeast Asians generally", write McVey, "the state was not all; often it was not very much" (p. 10). Moreover, as she says and is illustrated in a few places in my paper, relationships of power, whether or not involving what might be called the "state", were often highly personal in nature. Another difficulty with the term "decentralized" is that it assumes a center. Such a center is not always easily identified.

7. Sharom (p. 80) describes how the Sultan of Kedah sometimes had farmers pay district chiefs on his behalf. In a similar manner tax farmers in France regularly made payments on behalf of the king (Matthews, 12-13).

8. I have discussed reasons political leaders farmed out taxes rather than collecting them themselves, but a lot more needs to be done to understand why they relied on these taxes in the first place. An alternative was for them to monopolize trade. Of course this is what many rulers had long done or tried to do, and as production rapidly expanded many political leaders, both "old" ones and what we might call upstarts, continued to try to monopolize trade. Often they did this with some success. Somewhere along the line, however, they gave up their monopolies. A number of things seem to have happened. First, the trade became too extensive for them to control. Second, in many cases the producers, particularly Chinese capitalists, became increasingly powerful and (as suggested by the case of West Borneo) successfully resisted monopolistic control. Third, British traders and diplomats, who had a powerful interest in breaking down trade barriers, often put pressure on political leaders to give up trade monopolies. And, fourth, in some cases political leaders may themselves have believed that their monopolies were stifling trade and were not the most lucrative means possible of deriving revenue. The question then was what should take their place. The answer depended on many things, including the leader's strength in relation to other forces. Following the Burney Treaty Rama III introduced a number of new farms for fights "to collect internal taxes, transit duties, and commodity levies" in order "to circumvent the treaty", but under his successor, King Mongkut, "the old monopolies and tax farms were replaced with new excise monopolies farmed to Chinese--the opium, gambling, lottery, and alcohol monopolies..." (Steinberg, 111,115), which, from a British point of view at least, had no effect on trade except in so far as the opium farm boosted sales of Indian opium. In his study of <u>The Western Malay States, 1850-1873</u> Khoo writes that:

> Commercial development also affected the traditional control of the economy by the ruling elite. Until the 1850s, it had been the custom for the Malay ruling class to forbid the direct export of tin. All producers had to sell

> to them at the rate of $30 per bahara. As Straits merchants became more eager to deal directly with the miners and since they wielded considerable influence because they were also creditors of the Malay rulers and chiefs, the traditional practice was eventually revised (pp. 75-76).

Raja Jumaat introduced a duty of 20 percent on tin exports, later apparently reduced to 10 percent. Presumably Raja Jumaat collected this duty directly, but at some point the farming out of such duties (as well as taxes on consumption) became the usual practice. Particularly when the farmer was the principal trader, this meant that (regardless of what might be stipulated in the contract) the decision of who was to pay and how much was transferred to the farmer. In any case, I think it may be possible to argue that there was often a fairly close link between the decline of "state" trading and, where political leaders retained sufficient authority, the rapid expansion of revenue farming. To return to my original point, we need to look at the taxes rulers collected by farms in relation to the alternatives that may have been available. Carey gives an excellent example of the value of doing this. As well as contrasting the reasons tax farming was attractive to the rulers of Yogyakarta with the problems of the appanage system, he explains why it was the collection of tolls rather than some other tax that was farmed out:

> One commentator [Leonard Blussé] has compared [the toll-gate farm] to a 'comb' placed on the Javanese countryside which caught some of the agricultural surplus as it was brought to market, instead of wringing it out from source as a properly administrated land-tax would have done (p. 26).

9. Howard Dick very effectively uses the idea of an alliance between government and farmer as the basis for his discussion of "The Political Economy of Revenue Farming".

10. This idea is prompted by comments made to me by Michael Godley, May 1986.

11. As for how much change had already taken place, Trocki raises a point that is so fundamental that one might easily overlook it. After analyzing the documents associated with the kangchu system, he comments that "a far more important factor is the very existence of the documents in themselves". He goes on to discuss the political implication of the documents: "In the

traditional state, the bonds between the ruler and the ruled were those of personal loyalty, kinship, and economic dependence. These had now been overridden by a system of written contracts which had been borrowed from the English" (p. 186). It would be good to know just when documents were first used in various places. It may well be that informal and highly personalized arrangements were characteristic in some places. An early British official in Perak granted a farm without drawing up a written contract, but the Resident reprimanded him for this (Sadka, 94). In any case, use of contracts, whether written or not, marked a significant change, one that might be explored using ideas in Cohn's article "From Indian Status to British Contract", based on a distinction made by Sir Henry Maine. An issue similar to the one Trocki raises concerns the relationship between the rapid expansion of revenue farming and the introduction of the "modern" idea of private property. At some point (again it would be useful to know when) political leaders began demanding that farmers put up security for the fulfilment of their obligations. At first this must have been in the form of cash, but increasingly it was in the form of private property, namely, real estate, the title deeds to which were deposited with the government. That this could happen indicates that the necessary legal framework had been established.

12. This is a conventional account, but I would rather not convey the impression that the three states which undertook this extension always did so as a result of clearly defined and directed policy. This would hardly be consistent with what we know about revenue farming in the middle of the nineteenth century. As Fasseur puts it with respect to Dutch expansion in the Indonesian archipelago between 1830 and 1870, "the key to the process undeniably lay in the arbitrary actions of Dutch officials in the outer islands on whom Batavia, let alone the Hague, had an inadequate grip" (p. 184).

13. The policy itself is very clear, but the effects on "economic development" still require a lot of discussion. In the case of the FMS the farms certainly made tin mining more profitable for the mine operators and thus encouraged investment, but exactly what happened to the profits? The view taken by several

writers, including myself, is, with refinements, pretty much the dominant view among early British officials. That of course does not discredit it, but at the very least it might be useful to consider the comments made by the Resident of Selangor, W.H. Treacher, in 1894 when all his colleagues were defending the gambling farms as a necessary evil:

> The loss of the revenue from Gaming Farms would be most severely felt for some time, but I do not doubt that eventually the real prosperity of the country would be enhanced by the prohibition of gambling, the money now lost by the many and falling into the hands of a few being spent in the country in more legitimate ways, or being taken back to China by the successful emigrants and so advertising the name of Selangor in China and swelling the number of our Chinese Immigrants, who are the mainstay of the State.

Treacher reported that both the Capitan China and Loke Yew, two of the leading miners and partners in the general farm of which the gambling farm was the major component, favored abolishing the farm and prohibiting gambling.

14. Governments presumably saw two advantages in the amalgamation of farms into larger units. First, if we can assume that the number of genuine competitors did not drop, an amalgamated farm should raise more revenue, since competitors knew that they would be able to enjoy greater economies of scale and would have been prepared to offer a higher rent than the total that would have been offered for many smaller units (Brown, 280). Second, a few large farms would have been easier to supervise than many small ones.

15. A notable exception was Groeneveldt, who wrote in 1897 that "the farms must be abolished, not because they are in the hands of the Chinese, but because they are inevitably enveloped in wicked practices whatever the nationality of those entrusted with their administration" (K5037).

16. Although Vietnam is outside my "Southeast Asia" I need to mention that the French abolished the opium farms of Cochinchina and replaced them with a government opium monopoly in 1882. Groeneveldt's report on the French opium monopoly was very important in shaping Dutch views on this issue. My impression, however, is that the NEI regime was a very much more substantial undertaking than its French predecessor, which relied almost entirely on licensed retailers rather than government employees for the sale of prepared opium to the customers.

17. I suspect that a much broader conception of change will be necessary in order to understand the place of these new institutions in Javan society. In 1894 Fokkens wrote that:

> ...most of the people who pawn goods are unable to read or write and in any case the information is too complicated for them. But even if they are able to read and are convinced that they have paid too high a rate they always lack the courage to complain, because they know the farmer will take it out on them when they next ask for a loan.

He also commented that despite attempts by the government to tell people about the rules that the farmers were supposed to observe "the borrowers hear little or nothing about it, living as they do often in as many villages as there are pledges. Also many lose their pawn slips and do nothing further about it". Could it be that as more and more people attended schools, as the government became increasingly able to disseminate its policies throughout the countryside, and as people came to believe that the government would in fact act on its policies, the rules of the new government departments were enforced at least in part by the "customers" of these departments?

18. The unit of analysis in this paper has been the state. Up to as late as 1900, however, the Chinese who held the major farms belonged to political and commercial organizations that had little to do with "states". As we know directly from work by Cushman ("Khaw"), Sharom, and other scholars as well as indirectly from a myriad of scattered references, Penang was the center of a vast trading network encompassing Ranong, Phuket, Kedah, Perak, and east Sumatra. It would be extremely useful to trace this network and how it changed in some detail both as an exercise in its own right and as a way of getting an alternative perspective on the "state". My supposition is that as the lines on the imperial map hardened the network began to become increasingly fragmented along state lines.

19. As well as repairing this impressionistic account I hope to look at the fishing industry of Bagan Si Api Api in its own right. Important social, economic, and ecological changes needs to be looked at very closely.

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REVENUE FARMING, ECONOMIC DEVELOPMENT AND GOVERNMENT POLICY IN THAILAND, 1830-1910

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Government policies toward taxation and revenue collection can be analyzed in several different ways: through the products and services taxed; the types of taxes charged; the government officials and departments involved; the impact on society and economic development, etc. The type of analysis affects the results, and, in turn, the results determine attitudes toward the revenue process. This is the case with Thailand, where most descriptions and discussions of pre-modern Thai taxation, such as those presented by La Loubere, Pallegoix, Bowring, Innes, Thiphakorawong, and Prince Damrong, have been based on observations and inquiries about the taxation of selected goods and services.

This approach to the analysis of traditional patterns of Thai taxation can be very misleading for it ignores the administrative, social and economic arrangements that gave rise to and supported these particular patterns. The strong emphasis on taxes affecting trade and the existence of corvee labor that appears in most accounts of Thai revenues offers much scope for long tirades against monopolies, corvee, and government interference with economic life. Few observers have attempted to take a more careful look at how the pre-modern revenue system--as a system--fitted into traditional political, economic and social life. Instead, pressure has continuously been placed on the Thai and their political process to change taxation practices to meet the requests and demands of the Western powers.

The British, as the main interpreters of nineteenth century Thailand to the West, as the major external power represented by the consuls in Bangkok--where all recognized the British consul as senior--and as advisors to the state, especially in the customs office, and, later, in the Ministry of Finance, carried unusual weight in Thai fiscal affairs. Their views helped to determine the direction the reforms of the 1880s and 1890s took. However, we also need to exercise caution. The British and other Western observers were only superficially aware of the structure and functioning of Thai society in the first half of the nineteenth century. The British, placing themselves at the center of the modern, nineteenth century world (much as China had done earlier in East Asia), tended to look at Thai life in terms of its impact on British economic activities and foreign policy. They were not especially concerned with the internal workings of Thai society and the relationship of Thai to Thai.

I have chosen to examine Thai taxation in nineteenth century Thai terms, guided by Thai terminology and Thai records. Hence my view of the traditional Thai system of revenue collection is quite different from that of previous commentators. As a result I see the reforms of the 1880s and 1890s as having a much greater impact on Thai life than currently realized, as the Thai shifted from a highly structured social order to a much less structured one that was able to assimilate new immigrants, particularly the Chinese, and to meet Western demands for individual autonomy, private property, contracts and wage labor.

Basically I am examining nineteenth century Thai revenue administration through the three types of administrative arrangements that existed at that time. The first of these arrangements was the registration of people under a _nai,_ or master, in groups known as either _krom_ or _kong,_ to facilitate political control, corvee, and the collection of forest products for trade. The registration of people under krom and kong has been discussed by Akin Rabibhadana in _The Organization of Thai Society in the Early Bangkok Period, 1782-1873,_ but his discussion of nai-phrai relations simplifies a much more complex situation. The second type of administrative arrangement was the direct collection of revenue by government officials. Government officials collected the taxes on rice land, the Chinese head tax, and the Bangkok customs duties. The third type of arrangement relied on the use of tax farmers, who bid for the right to collect certain kinds of taxes on consumer goods and some types of economic activities. In these cases tax collection was turned over to the highest bidder, who was responsible for enforcing the tax regulations, collecting the taxes, and paying the sums owed the government on time. Examination of these three different types of administrative arrangements reveals that, although there were intersections and overlapping among the three, they were essentially distinct systems with separate histories during the nineteenth century.

Through examining these three types of administrative arrangements and summarizing their histories in the nineteenth century, I hope to contribute to the discussion of three major issues in Thai studies. The first issue is that of state formation and administrative modernization; the second is that of economic development; and the third, entrepreneurship, in the special sense used in modern finance.

The modern world, involved in an impersonal monetary system of exchange, has had little interest in, or concern with, other types of economic systems, especially those in which services, labor and otherwise, are of greater importance than any monetary contribution. The information available in Thai records from 1827 to 1871 provides evidence of what must have been a very ancient system of political and social relationships which were also a means of obtaining services and revenues for the state. The importance of this system was not recognized by outside observers and it was far more extensive and complex than Akin's description suggests.

In the pre-modern Thai political system, the population was registered under various masters throughout the country, including the northeast and some of the vassal states such as those of Lanna Thai. People were registered under central krom, headed by royal princes or by high government officials, or under provincial kong, or under local officials. The central krom were primarily ceremonial, administrative and military units. All krom contained large numbers of administrative and clerical personnel. The krom of royal princes often included musicians, dancers, actors and poets, as well as ceremonial specialists. Those krom responsible for law and order included large numbers of police and soldiers. Krom also contained people who provided personal services to the head of the krom, acting, in effect, as private servants. In addition to their normal duties krom could be called upon to participate in large public works projects. However, although krom provided essential ceremonial, administrative, military and labor services, they were not, apart from their trading activities, direct sources of revenue for the state.

Provincial kong, which were generally located far from the capital and hence not readily available for most public work projects, were expected, in addition to their normal ceremonial, administrative, and military functions, to provide revenue for the state. The heads of provincial kong were, in many cases, local government officials, the Cao Muang, Mahatthai, Palat, Yokkrabat, and so on. It was also possible for the nai kong, especially the <u>nai kong nok</u> to exist outside the provincial hierarchy and to have his separate individual relationship with a Bangkok patron. In practice, most provincial nai, irrespective of their place inside or outside the local official hierarchy, had their own special relationships with Bangkok patrons.

Krom and kong were complex political, social and economic units. Registration records reveal a much larger number of statuses and positions than the terms nai and phrai suggest.

There were special positions for many ceremonial, administrative and military functions. Surprisingly few people were registered as either phrai or as bondsmen, those subject to labor services either for the nai or for the state. The economic services the krom and kong performed could not have taken place without the existing political and social structure. The nai, whatever their official positions, were important people.

What I want to stress here are the linkages among the political, administrative, social and economic functions of krom and kong, linkages which were not always recognized by Western observers who only commented on bits and pieces of the whole. Yet, it would not have been possible to reform, transform or terminate one of the pieces without changing the entire system of relationships. If the Thai were to meet the challenges from the West and to restructure their society, the traditional arrangements represented by the krom and kong would have to go--and this would mean that the two processes of administrative and economic reform could not be separated. The reduction in the power of the nobles, of the great families, and the provincial nai, necessitated the ending of suai, of corvee, and of slavery. These were all interwoven, even though Western observers considered them separate, distinct problems.

In the economy of the early nineteenth century krom and kong were involved in a wide range of economic activities: tribute relations, including local tributary relationships as well as the better known regional ones; gift exchanges; taxation; economic development,represented by the establishment of new settlements, especially in the northeast; and, trade. Krom were the recipients and their heads the major traders. They received tribute, gifts, taxes and goods for trade. Kong were the providers. They sent tribute, gifts, taxes (suai), and trade goods to the center. In return, the nai kong might receive favors such as appointments to official posts, titles, insignia of rank; audiences with high officials and the king; and an implied guarantee of continued autonomy in local affairs.

The revenues paid through the kong were referred to in the Thai records as suai. Suai was a head tax, paid either in goods or in currency, by the phrai suai and the that (bondsmen). Suai was paid in gold, silver (currency), beeswax, cardamon, lac, lacquer, silk, saltpeter, and other forest products. Although suai was a major source of revenue in the 1830s and 1840s, it was not a reliable one. Payment was the responsibility of the nai kong, many of whom resorted to various tactics to reduce the payments owed. Some nai would withhold payment for years, refusing to pay unless special favors were granted. The payment of suai was used as a bargaining chip for nai seeking favors from the court. Accumulated non-payments could be negotiated for lesser amounts through the nai's Bangkok patron. Other nai would send partial payments of suai on a fairly regular schedule, but would never send the full amount owed, thus accumulating debt over time. Again, the accumulated debt was negotiable. Still other nai, the more isolated, didn't bother to pay suai at all, ignored potential patrons, and had virtually no communication with Bangkok. The loyalities and reliability of the provincial nai were uncertain, the means of central control limited. Delays and accumulated non-payment of suai became a serious problem in the 1850s. Efforts to reassert control over suai in the 1860s were not successful.

Preliminary efforts to estimate total receipts of suai by the central Thai government suggest that even under the best conditions, suai was not, and could not have been, a stable and expanding source of revenue. It never could have paid the costs of the administrative reorganization that took place between 1874 and 1910. The most important sources of suai were ngen (silver) and gold. The payments of suai in silver peaked between 1845 and 1849 with average receipts running at approximately 80,000 baht per year. From 1850 to 1855 receipts of silver were between 50 and 65,000 baht per year. They dropped to 30-45,000 baht in the late 1850s, to 20-25,000 baht in the early 1860s and to less than 8,000 baht for the late 1860s and 1870s. Receipts of suai gold (in a variety of forms: gold dust, gold lumps, gold bars, etc.) peaked at 3-4,000 baht's weight during the 1840s. In the 1850s, receipts of gold fell from about 3,000 to 2,000 to 1,000 baht's weight, and then dropped to less than 500 baht's weight for the 1860s and the 1870s. Only the receipts from the suai for white cloth, paid in silver, remained constant at slightly more than 1,000 baht per year.

Receipts of goods in kind were likewise limited, unable to support the costs of a modern state. The most important forest product received as suai was reo, an inferior grade of cardamom. Again, receipts of reo peaked between 1845 and 1849 at 2,000 to 3,800 piculs per year. This was an amount of reo that would have compared favorably with the export figures for reo in the 1870s, when 4,678 piculs were exported in 1871, 6,173 piculs in 1872, 5,968 piculs in 1873, 2,985 piculs in 1874 and 3,511 piculs in 1875.[1] However, receipts dropped from approximately 2,500 piculs per year to 1,500 piculs during the 1850s and from around 1,500 piculs per year to 300 piculs during the 1860s. Yearly receipts of krawan, high quality cardamom, ranged greatly, from 10 to 150 piculs during the 1840s and the 1850s, and from 2 to 90 piculs in the 1860s. Apart from special requests for ceremonial needs, suai payments in beeswax seldom brought in more than 2 to 20 piculs a year.

Other products brought in even less. There is no record of receipts of suai paid as sticklac between 1849 and 1856. Receipts of sticklac were around 250-300 piculs per year in the early 1860s, but fell suddenly to around 70 piculs in 1864. Suai collections of ramie, a fiber, ran between 40 and 150 piculs per year during the 1840s and 1850s, but came to only 4-15 piculs per year in the 1860s. Suai payments of copper ore peaked at 150 piculs in 1845, dropped to 85 piculs in 1848, to 55 piculs in 1850 and to 12 piculs in 1851. Receipts of copper ore continued to decline until 1861, after which no further references to copper appear in the records. Clearly the system of collecting suai was not compatible with commercial trade and large-scale markets.

The problems that were connected with suai also existed with the tax on rice land. The tax was collected by local officials, and, therefore, would represent a direct form of taxation. However, few local officials sent the full ammounts owed to the capital. The archives contain very few records referring to the tax on rice land. The few records that are available are investigations of nonpayment of the tax. In my dissertation I wrote, "...the few available records indicate that the collection of the tax was so involved with the internal politics of the Thai elite that special steps had to be taken to assure the Thai state of at least a minimum return from the tax....The officials in Krom Na had long regarded the tax as their personal property, not as money due the state."[2]

The difficulties with the tax on rice land reached a climax in the early fifth reign. King Chulalongkorn had the Central Revenue Office (Ho Ratsadakonphiphat) audit the accounts of Krom Na. When the audit revealed the retention of tax monies by Krom Na, Chulalongkorn ordered the Council of State to investigate. The investigation, which covered the period from 1869 to 1873, showed that the head of Krom Na, Phraya Ahan Borirak (Nut Bunnag), was not only not passing revenue collected on to the government, he and some of his associates had also embezzled large sums for their own use. In 1874, Phraya Ahan was tried, lost his rank, privileges, and property, and was sentenced to imprisonment for life, although the King did reduce the sentence to twelve years. The revenue received from Krom Na then rose to 320,000 baht, and, a year later, to 960,000 baht.[3]

The increase in revenue from Krom Na was notable because King Mongkut had earlier reduced the tax rate on rice land. The Thai were under pressure from the British to expand the production of rice, for which the British anticipated a large export market. In response to this pressure the Thai exempted newly cultivated rice land from tax during its first year of production, and, after 1874/75, exempted newly cultivated rice land from tax for three years. Tax rates were deliberately kept low, from .125 to .375 baht per rai between 1857 and 1905. The land tax was collected in the central plains and in the north; it was not collected in the northeast.[4]

Other sources of revenue were the Chinese head tax, customs duties, fines and fees, and the tax farms. Central officials collected the Chinese head tax. Every three years officials of the crown traveled to the major towns to register the Chinese for tax. They worked directly with local officials, overseeing both the registration of the Chinese and the collection of the tax. The Bangkok customs house, as a result of the Bowring treaty, had a British advisor in charge. We can assume that the customs duties collected were accurately recorded and paid in full to the government, even though we do not know what the total revenue from this source was. Still, the duties charged were limited by treaty, and thus were a limited, allbeit relatively stable and increasing, source of funds. There is little information about receipts from fines and fees. Yet, in spite of the serious problems that existed in revenue collection, there was no major financial crisis, no financial collapse. Revenue records offer evidence that the expansion of tax farming brought in the revenues needed to reorganize and to reform the administrative arrangements of the Thai state.

The major source of revenue after 1850 was the tax farm. The origins of tax farming in Thai revenue administration are not clear. The 17th century accounts are vague; they indicate the products taxed, but leave the means of administration unclear. It is not possible to tell if taxes were being paid through the nai kong or through the cao phasi (tax farmer). The earliest account of tax farming in the Chakri period is dated 1809. The main body of records starts in the late 1820s, expands in the 1830s and 1840s, and gains steadily in the 1850s.

The records do not reveal any trends in the overall balance between Thai and Chinese tax farmers between 1825 and 1891. Most of the farms were headed by Chinese most of the time. However, Thai tax farmers were involved in nearly all of the farms at least some of the time. Both Thai and Chinese initiated bids to establish tax farms. There was a tendency for Thai to start farms dealing with local products at the local level, farms which would at a later date be shared with Chinese. Chinese were more likely to set up the large opium, gambling, and liquor farms, only to find themselves occasionally outbid by Thai. It was also possible for Chinese and Thai to manage a farm together,

The revenue farms covered many different types of activities. There were the large monopoly farms: opium, gambling and liquor. There were farms that collected taxes on produce: gardens, fruit trees, coconut trees, beans, pepper, various kinds of sugar, cotton, and tobacco. There were farms for collecting the taxes on fresh and salt water fishing and for the preparation of ngapi, fish sauce, shrimp paste, and dried shrimp. There were farms for the taxes on forest products: teak, sappanwood, firewood, attap, bamboo and torches. There were farms for markets and the wide variety of goods sold in markets, especially such goods as Chinese sweets, Chinese paper, and other Chinese items. There were farms for the collection of taxes on the manufacture of salt, lime and iron. Even customs duties--for the smaller coastal ports--were farmed out, the 3% duty determined by the Bowring treaty, the measurement duty, and the taxes on the junk trade. The lakon, a major form of entertainment, was also taxed. Although some of the smaller, local farms were short-lived, most continued in operation into the 1890s.

Preliminary attempts to determine the total revenue from the tax farms--attempts based on the amounts bid for the farm as recorded in the appointments of the tax farmers--indicate a fairly smooth upward increase in revenues received between 1825 and 1891. A rather crude attempt to subtract reported nonpayment of revenue from the totals due does not change the overall direction of the increase, although it does make the increase more erratic. Nonpayment, judging from the preliminary estimates based on the appointment records, usually ran between 5% and 20% for most years, dropping sharply in the 1880s.

The only available account of total revenue received by the Thai state between 1850 and 1890 is the one given by Wira Wimonti in his Historical Patterns of Tax Administration in Thailand.[5] In the table below I have taken Wira Wimonti's figures for the yearly totals and compared them with my preliminary estimates of revenue received from the tax farms. I have also computed the percentage of total revenue these preliminary estimates would represent.

A Preliminary Estimate of Revenue Received from Tax Farms in millions of baht

Year	Wira's Total	Est. Rec.	%	Year	Wira's Total	Est. Rec.	%
1851	1.8	.5	28	1871	3.0	3.2	107
1852	1.9	.6	32	1872	3.6	3.7	103
1853	1.6	.8	50	1873	4.1	2.9	71
1854	1.6	1.0	63	1874	5.9	4.3	73
1855	1.9	.7	37	1875	6.8	3.5	51
1856	2.0	.8	40	1876	6.4	2.8	44
1857	1.9	1.7	89	1877	5.7	3.3	58
1858	2.0	1.2	60	1878	5.2	5.6	108
1859	2.0	1.7	85	1879	5.7	5.3	93
1860	2.2	2.2	100	1880	6.8	6.4	94
1861	2.8	2.0	71	1881	6.1	6.7	110
1862	2.2	2.7	123	1882	6.9	7.4	107
1863	2.6	2.8	108	1883	7.4	7.9	107
1864	2.6	2.7	104	1884	6.0	8.5	142
1865	2.3	3.1	135	1885	6.9	11.1	161
1866	2.4	2.5	104	1886	13.7	11.9	87
1867	2.6	2.4	92	1887	12.1	10.5	87
1868	3.5	2.8	80	1888	13.6	9.7	71
1869	3.4	2.9	85	1889	12.0	10.1	84
1870	3.1	3.2	103				

a. Estimated receipts.

Sources: Wira Wimonti, <u>Historical Patterns,</u> pp. 74, 112-114; <u>Records of the Kalahom, R. 4, and R. 5.</u>

As the preliminary results indicate, the revenue received from the tax farms increased nearly twentyfold over a period of forty years. These preliminary estimates are not only high, they do not appear to be synchronous with Wira Wimonti's totals. One reason for the likelihood that Wira Wimonti's totals and my preliminary estimates are not synchronous is the difference in the sources each of us used. Wira Wimonti's figures are taken from the <u>Samut Banchi Ngen Phrakhlang,</u> (Accounts of the Treasury) published by the Ministry of Finance. No date is given for this publication and I have never been able to locate a copy of it. The title suggests that the figures are based on those of the Treasury Department, but there is no explanation as to what revenues were included in those figures. My preliminary estimate is based on the money promised by the tax farmers when they bid for the farms. Appointments were made before the money was paid. As the money due was to have been paid in installments, and as the installments might not have been paid on time, some of the money could easily have ended up in the next year's accounts. For example, my preliminary estimates show a marked increase in revenue in 1885, a year before Wira Wimonti's figures nearly double. This suggests that there is a time lag between revenue as estimated by the bids accepted and the payments received by the financial authorities. As an experiment I have recalculated the percentages as they would be if the receipts of the bids offered in the appointment process were moved forward one full year. The results,given below, do appear to be more synchronous with Wira Wimonti's totals and the distribution of percentages less extreme.

A Preliminary Estimate of Revenue Received from Tax Farms (Revenue Given in Appointment Records Moved Forward One Year) in millions of baht

Year	Wira's Total	Est. Rec.	%	Year	Wira's Total	Est. Rec.	%
1851	1.8	.3	17	1871	3.0	3.2	107
1852	1.9	.5	26	1872	3.6	3.2	89
1853	1.6	.6	38	1873	4.1	3.7	90
1854	1.6	.8	50	1874	5.9	2.9	49
1855	1.9	1.0	53	1875	6.8	4.3	63
1856	2.0	.7	35	1876	6.4	3.5	55
1857	1.9	.8	42	1877	5.7	2.8	49
1858	2.0	1.7	85	1878	5.2	3.3	63
1859	2.0	1.2	60	1879	5.7	5.6	98
1860	2.2	1.7	77	1880	6.8	5.3	78
1861	2.8	2.2	79	1881	6.1	6.4	105
1862	2.2	2.0	91	1882	6.9	6.7	97
1863	2.6	2.7	104	1883	7.4	7.4	100
1864	2.6	2.8	108	1884	6.0	7.9	132
1865	2.3	2.7	117	1885	6.9	8.5	123
1866	2.4	3.1	129	1886	13.7	11.1	81
1867	2.6	2.5	96	1887	12.1	11.9	98
1868	3.5	2.4	69	1888	13.6	10.5	77
1869	3.4	2.8	82	1889	12.0	9.7	80
1870	3.1	2.9	94				

The actual balance of payments and percentages probably rests somewhere between the figures in the two tables. Some of the problems of distribution may be cleared up when I recheck the computer work against my copies of the records, but exact work under the circumstances will not be possible. This is simply part of the frustration of working with pre-modern materials. Nevertheless the above tables, and the second does seem to be a better match, should provide support for the statement that the revenue from the tax farms was the single largest source of revenue available to the Thai state during the last half of the nineteenth century and that in the period after 1857, the tax farms provided more than half of the revenue received.

As for the unusually high percentages present, those over 90%, I cannot give any explanation. These percentages do fall into sequences, 1862-1867, 1870-1871, 1881-1885, which indicates that these percentages, in terms of Wira Wimonti's figures, must be fairly reliable, and not just a phenomenon of the difference in computations based on appointment records and that based on revenue receipts. These results were completely unexpected, and, until I recheck my notes, I cannot comment further on it. They do, however, suggest that Wira Wimonti's figures from the Treasury Department may not represent all revenues received.

The appointment records of tax farmers also reveal patterns of behavior similiar to that of the nai kong. Powerful patrons were important as were gifts and large catch-up payments. Patrons could and did provide protection and cover for delinquent farmers. Some tax farmers traveled to Bangkok bearing gifts and accumulated payments to pay respects to their patrons and, in some cases, to the king. It was not unusual for these 'ma fao' farmers to be reappointed even if other people placed larger bids for a farm. In a few instances, tax farmers were protected by powerful patrons even when payments were overdue, and, apparently, uncompensated for by presents.

However, there were some major differences between the nai kong and the tax farmers. Most nai kong held their position for life, irrespective of the power of their patron. The government rarely removed a nai kong unless he had lost the support of his kong. A nai kong who retained the support of his kong and, hence, his control over manpower, remained in a strong position even if his payments of suai were few. Tax farmers had to renew their agreement with the state every three years, and, if they lacked a powerful patron, they could be outbid at shorter intervals. The process of bidding was active enough to keep the tax farmers circulating, thus weeding out at least some who were delinquent. Unlike the arrears of the nai kong, which could fall behind for as much as ten to twelve years, the three year bidding process placed more pressure on the tax farmer to meet his schedule of payments. If he did not, or was unable to pay the full amount owed, the government was aware of it much sooner. Partial payments were immediately noted and the farmer called on to explain. And finally, because many of the farmers were foreigners and changed frequently, they were not as embedded in the political and social order as the nai kong. It was easier to centralize accounts in the Central Revenue Office where they could be more closely supervised. Only a handful of the most powerful patrons were able to protect a client from the supervision of the Central Revenue Office. So, even though many of the same problems of patron-client relationships, corruption, and nonpayment remained, they were comparatively easier for the government to deal with than the problems of revenue collection through the nai kong.

When we stand back and take a look at the nineteenth century, most of its political, administrative and revenue problems involved the krom, headed by the great families, and the nai kong, the provincial leaders. It was here, in this arena, that the reform and counter-reform movements took place. The documentary record of these struggles is not complete and it is not consistent. It changes with the courses of the political, social and economic struggles for control over the direction of administrative reform and over the country's revenues. The basic registration records and the suai accounts, those that reflect the older, traditional political and social order, only run from 1827 to, roughly, 1871. It has proved impossible to locate any continuous sequence of records for krom, kong, and suai between 1871 and 1891. Those records which can be found vary greatly in format and content. There are no clear divisions between styles and types of records. Instead there is overlapping, and occasional reappearances of earlier types of records.

The absence of continuous runs of documents, the frequent shifts in format and content, the unusual mixture of traditional and modern styles of record keeping, all suggest that the problems the government faced in the collection of suai received an unusual amount of attention during the 1870s and 1880s. Indeed, I feel that the combined problems of family politics, local administrative authority, and revenue collection through the nai kong were the major focus of government debate and reform during this period.

In contrast, the records of the appointment of tax farmers--there are few records recording payments by tax farmers--are continuous in format and style from the late 1820s to 1891. It does not matter if the records are on <u>samut khoi</u> or <u>kradat farang</u>, the same type of record is maintained for more than 70 years. This is very unusual for nineteenth century records. This continuous series of documents suggests that there were few, if any, attempts to reform or to change the bidding and appointment processes. Although farmers and syndicates changed often, the process of bidding and appointment remained more stable for a longer period of time than did any other recorded administrative activity.

It is this very sharp contrast in the records that leads me to suggest that the importance of the revenue farms in the last half of the nineteenth century lies in this stability, and that the revenue farms--along with the modest amounts from the tax on rice land and customs duties--provided the state with the fiscal base it needed to dismantle the traditional krom and kong, to free the population from registration under a nai, and to replace both corvee and suai with a capitation tax.

The history of the different administrative arrangements for tax collection is, I believe, of significance for both state formation and economic development. First, consider the process of state formation. The level of local autonomy that existed during the first four Chakri reigns was not acceptable in a modern system of statecraft. The center had no guarantees of support from the local nai, and the number of kong in each province made it difficult to develop consensus and for each province to function as part of larger local, regional, or national units. Central control was weak; both the Chinese and the Westerners were capable of forging their own patron-client relations with the local nai kong. This was a situation that threatened the state, and hence could not be tolerated. From the viewpoints of loyalty, national unity and efficient management of government affairs, the traditional krom and kong would have to be dismantled. The royal prince and princesses would have to give up their krom. The administrative krom--Mahatthai, Kalahom, Wang, Na, Muang, Khlang, Thahan, etc.--would have to be restructured, their conscript workers replaced with freely employed salaried ones. The provincial nai and their kong would have to be eliminated as political, social and economic units. The process of dismantling these pre-modern administrative arrangements and replacing them with others was a major task, requiring much political energy between 1870 and 1910, by which later date Chulalongkorn's reforms of 1892 were effectively in place.

The administrative reorganization of the 1880s and 1890s was a major act of statecraft, one that did create a viable modern state, recognized as such by all outside observers and other nations. The role of the tax farms in all of this was to provide a basic level of revenue stability that made it possible for the restructuring of the administrative system to take place. At some point--it is not clear when--the payments of suai must have dropped to very little. The imposition of a capitation tax must have taken some time to implement and enforce.

The reformed revenue system, as it became established, provided a more solid revenue base for the state than did the previous one. The bureaucracy was now staffed by salaried officials. A system of budgeting with a budget had been created. Even though conflict still existed over which ministry, which department, was to supervise the collection of a specific type of revenue, this conflict was much reduced from that in the past and the administration of various types of revenues did not shift from department to department as frequently as it once had. Greater stability and a more efficient system brought in more revenue as shown below.

Revenue 1894/95-1913/14

in thousands of baht

Year	Total	Land	%	Capit.	%	Major Farms(a)	%	Other Farms	%
1894/95	17,334	1,480	8.5	486	2.8	5,763	33.2	1,183	6.8
1895/96	18,075	1,129	6.2	428	2.4	6,564	36.3	804	4.4
1896/97	20,645	1,697	8.2	558	2.7	6,684	32.4	861	4.2
1897/98	24,808	1,602	6.5	1,372	5.5	8,288	33.4	1,027	4.1
1898/99	28,496	2,763	9.7	1,154	4.0	9,013	31.6	892	3.1
1899/00	29,920	2,667	8.9	1,679	5.6	10,868	36.3	905	3.0
1900/01	35,611	2,995	8.4	3,129	8.8	12,202	34.3	967	2.7
1901/02	36,158	3,145	8.7	2,407	6.7	12,443	34.4	794	2.2
1902/03	39,152	3,164	8.1	2,548	6.5	13,644	34.8	1,048e	2.7
1903/04	43,459	2,941	6.8	3,363	7.7	14,596	33.6	623	1.4
1904/05	46,046	3,764	8.2	3,182	6.9	15,574	33.8	538	1.2
1905/06	51,658	3,859	7.5	4,138	8.0	18,385	35.6	512	1.0
1906/07	57,015	7,579b	13.3	4,929	8.6	15,170d	26.6	349	.6
1907/08	55,827	7,639	13.7	3,952	7.1	16,049	28.7	310	.6
1908/09	60,860	7,101	11.7	5,051c	8.3	20,776	34.1	251	.4
1909/10	62,679	8,004	12.8	6,884	11.0	17,505	27.9	351	.6

a. Major tax farms were the opium, gambling and lottery farms.
b. At this time the rate of assessment was increased.
c. The capitation tax, formerly levied only on Chinese, was now levied on Thai, British and French subjects.
d. Between 1906/07 and 1908/09 the government phased out the opium farm. Also, gambling was abolished in the provinces in 1906/07 and limited to Bangkok.
e. This figure included betting license fees.
Source: Statistical Yearbook of the Kingdom of Siam, 1916, No. 1. Bangkok, 1916.

Total revenue more than tripled in the sixteen years between 1894 and 1910. The tax rates on land had been increased. A new capitation tax, covering more people, had been put into effect. As these and other taxes, such as excise and customs, became larger and more stable sources of revenue, dependence on the tax farms could be reduced. The percentage columns in the above table show the shifts that were taking place among some of the sources of revenue. As the land tax, the capitation tax, and the other taxes become more important, the government could begin to eliminate the tax farms, a process described in Ian Brown's dissertation. All tax farms had been eliminated by 1920. At this point Thailand had ended all remnants of its pre-modern system of revenue administration except for the tax on rice land.

Both old and new revenue systems contributed to the development of the Thai economy. What was changing was the economy itself, and with this, the demands the economy imposed on society. Krom and kong functioned reasonably well in the context of the traditional economy. They provided a way to obtain and to organize labor for public and private works: to fight wars, to clear land, cut timber, and to build canals, forts, temples and palaces. Krom and kong enabled the expansion of the Thai people and the Thai political system to take place. They opened new land, created and organized new settlements which were part of the greater political order. Krom and kong were the building blocks of Ayutthaya and early Bangkok. They made state formation and economic development possible.

The importance of the nineteenth century lies in the creation of new types of states, based on a Western rather than an Asian model, and a new type of economy, again based on a Western rather than an Asian model. In no place, in any Thai or Western text, was there any consideration given to any other type of model or to the retention, with modification, of the krom and the kong. Instead the emphasis was entirely on radical change, the total elimination of krom and kong. The debate was not over types of states or kinds of economic systems, it was over modernization as defined and prescribed by the West. It involved the issues of the freedom of the individual without formal ties to a nai, the demands for free trade, for open markets, and for the free (allbeit protected) activities of foreign traders and entrepreneurs. It was an international environment of change, of major shifts in the concept of a state, the concept of an economy, and the kinds of economic activities that should be taking place, that determined the nature of the debates. These new concepts did not permit any role for the traditional political and social order.

The new economic order was to be based on the activities of free peasants producing cash crops for an international market, peasants who would, at a later date, become wage labor for new industrial enterprises. The international market place was initially dominated by the Western powers who decided the legal aspects of trade and whose primary needs were goods for its foreign markets and for its home industries--the rice, rubber, tin and teak that so dominated Thai exports during the first half of the twentieth century. This new economic order was much more monetized and dependent on commerce than the old. It was an economy, Thai have complained, that has been dominated by the Chinese.

It is possible that the pressure to dismantle the traditional krom and kong, and the process of dismantling them, delayed the growth of a Thai entrepreneurial class. Certainly, in the context of the early nineteenth century economy, most of the existing capital was held by the Thai elite, the heads of the krom and the nai kong. The heads of krom, both princes and officials, were the leading traders. They worked with the Chinese and often employed them in their trading activities. The heads of krom were one potential source of capital. Another possible source was the nai kong, many of whom participated in the caravan trade.

But look at what happened to these potential entrepreneurs. They were subject to both political and social pressure. Not only were the krom and kong dismantled, together with their control over manpower, they had to respect new social arrangements. Polygamy was no longer legal; thus the elite initially shrank in family size and as a social class. While smaller family size with fewer descendants to carry on family tradition, could mean a concentration of family property and family capital, it also meant that there would be fewer entrepreneurs to invest in newer forms of economic activity. The demands on the royal family, especially Chulalongkorn's generation--a phenomenon that will never be repeated--were for political, not economic, leadership. What would have happened if Damrong, Devawongse, and other brothers, had been entrepreneurs rather than bureaucrats? Their intelligence and skills were more badly needed by the state than by the economy.

The great families faced similiar problems, although the loss of some of their bureaucratic positions did push some family members into entrepreneurial activities. Again, there would be problems of family size, ability, and connections. Still, many of the great familes did adapt to the new economic order. Today, both the royal family and the old bureaucratic families are known for their holdings of property in Bangkok and in provincial centers. There are Thai entrepreneurs who are descendants of the traditional elite; the family surnames continue to reappear in the modern Thai press. They appear to have, however, a preference for investment based on land, and a continued willingness to work with Western, Chinese, or Japanese partners. The real issue may not be the absence of Thai entrepreneurship, but rather, the relative balance in the economy between the Thai entrepreneurs and the Chinese.

The descendants of the nai kong have also contributed to the modern Thai state and the modern economy. Kay Calavan, in her dissertation, "Aristocrats and Commoners in Rural Northern Thailand," traces, through interviews, the activities of a provincial cao (nai) from his traditional role at the end of the nineteenth century, through the changes in his and his family's legal status, to the social positions and activities of his descendants in the early 1970s. In her account, the transition from the older order to the modern one takes place fairly smoothly, largely because both aristocrats and commoners found it to their advantage to maintain much of the former order into the present. The cao family did attempt to adapt to change even as it continued to persist in its traditional activities and role. Success or failure in these efforts were individual, based on individual resources and skills. Some of the members of the cao family moved out, entering the larger society, using their resources for education and the attainment of national and provincial bureaucratic positions. Others stayed in the village, maintaing earlier roles in village life. Those with ability and resources were held in respect and were able preserve traditional status and functions. Others lost respect, were unable to continue a traditional role, and dropped out of aristocratic circles.

As a result of the more open social order, many commoners were able to take advantage of new opportunities, in education and in the marketplace, to move up in society. It is the interplay of three groups of people, the former aristocrats seeking to maintain their traditional status and role, the upwardly mobile commoners who have the potential to replace the former aristocrats as patrons, and the villagers, that makes the dissertation interesting. Although entrepreneurship is not a focus of this study, it does contribute to a discussion of the problem. The case studies in the text show that interest in the bureaucracy and in bureaucratic positions continues to be strong among upwardly mobile Thai. There is a sense of the bureaucracy in competition with agriculture and commerce for the interests and resources of the Thai. The case studies also show that entrepreneurship does exist, but that it is directed toward the ownership of land and investment in agriculture rather than in industry and commerce.

The issue of Thai vs. Chinese entrepreneurship has, perhaps, been too narrowly defined, with attention concentrated on the very visible positions of the Chinese in urban banking and commerce. There are and have been Thai entrepreneurs, but their place and function in the Thai economy may be different from the Chinese--whose ownership of land has been restricted by law--with a greater interest in land, in agriculture, and in some of the newer types of activity (hotels, tourism) that have appeared in recent years. More needs to be known about Thai entrepreneurial activities before a full debate on the issue can take place.

The major questions, I feel, are not questions of ability, preference, or even capital, but rather of history and the impact of the West, the new ideas of statecraft, of economic life, of international trade, and of a particular type of individual freedom on Thai society. All of this, in its totality, was a great amount of change for a traditional Southeast Asian society to absorb and to respond to within a relatively short period of time, the reigns of two kings, lasting from 1851 to 1910. It is not surprising, given the political and administrative needs of the Thai state at this time, that the development of commerce should have been left to the Chinese and that the Chinese should have held such a strong position in the Thai economy during the first half of the twentieth century. But the place of the Chinese in the Thai economy must have changed since the depression and the Second World War. The government and the bureaucracy remains largely Thai, and it is the government which decides on and directs the investment of foreign economic aid. The availability of foreign capital, Western and Japanese, has opened new opportuities for both Thai and Chinese. The rapid expansion of education, at all levels, must be contributing to a greater equalization of skills. Surely, with immigration markedly slowed since the 1930s, the balance between Thai entrepreneurship and that of the Chinese must be changing and the Chinese dominance of the economy coming to an end.

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FROM REVENUE FARMERS TO ENTREPRENEURS:

THE CHINESE IN THE JAVANESE TEXTILE INDUSTRY, 1870-1939

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There are very few aspects of the economic condition of Java at the opening of the twentieth century which were not addressed by those officials of the Netherlands Indies bureaucracy who were given the task of enquiring into the causes of Java's "declining prosperity". Part Six of the Mindere Welvaarts-Onderzoek addressed itself exclusively to the level of commercial and industrial development of the population of Java and, among the exhaustive range of questions which district officials were required to answer, Question 414 asked: "To what extent is the capital, formerly tied up in the opium and other revenue farms, now invested in commerce in native products?"

The answers to this question varied greatly from district to district throughout Java, with many controleurs being too scrupulous to say other than that it was very difficult to answer with any certainty because of the lack of factual as opposed to impressionistic information. Most of those who did essay an answer felt that the buying up of agricultural products, particularly rice, took first place in the expanded use to which the released capital had been put, but some noted too its use in what for the Chinese were new industries, particularly the batik and cigarette industries.[1]

One of the most marked features of Chinese economic endeavour in Java in the late nineteenth century was an increasing interest in acting as entrepreneurs in these two industries which had previously been regarded as Javanese preserves. The course of Chinese involvement in the cigarette industry is the better documented one, particularly through the work of Lance Castles, and, as is well known, it has important implications for the rise of Islamic-based nationalism in Java with its origins in the cooperative movement at the beginning of the twentieth century.[2] The situation in the batik and, later, in the weaving industry is less well known, although this too had important implications for the form in which Islamic nationalism and "Islamic economics", with its notion of "sinful capitalism", appeared in Java.

Up to the middle of the nineteenth century there existed two major centres of batik enterprise and trade in Java, the north central coast and the princely courts of Yogyakarta and Surakarta. The batik produced in these centres was the so-called batik tulis, in which the wax which secured the design was applied to the cloth by hand, using a canting or wax-applicator, generally made of copper. Production was overwhelmingly in the hands of women, working in their own homes, although at the princely courts there were also larger batik workshops, again operated by women. The fine cloth used for batik-making was not a product of Java, but was imported into the north Javanese ports from India, a trade for long in the hands of Indian Muslims and later of Arab settlers at the main harbours.[3]

A series of economic and technical changes affected the batik industry in the nineteenth century, beginning with changes in Dutch commercial policy towards Java in the early part of the century. The first was the founding in the 1820s of the Nederlandsche Handel-Maatschappij (NHM), part of an attempt to find markets for the new manufactured textiles of Netherlands factories. The importation into Java of these European printed cottons encouraged batik makers to investigate industrial methods which would enable them to compete with the imported cloth.[4] A very simple stamp for applying wax in the batik process was recorded early in the century,[5] and by mid-century a copper stamp (cap) had been invented, probably somewhere on the north coast. In 1859 metal stamps were already being used in Pekalongan, and by 1872 in Batavia.[6] The major subsequent technical change was the introduction of synthetic (aniline) dyes, which allowed traditional colours to be imitated at far greater speed and with less effort and skill, and which began to be imported into Java from Germany in the late nineteenth century. The material used for batik also changed; since European printed cottons could not withstand the gains made by the revitalised batik industry, the European private firms which multiplied on Java from the 1870s began importing plain European manufactured cloth which gradually superseded Indian cloth as the basic material for batik.[7]

It was a consequence of these changes that Chinese in possession of varying amounts of capital, released due to the ending of the monopoly lease system, were able to enter the batik industry, which provided clothing for almost the entire female population of Java and for males other than in West Java. The adoption of the cap meant a considerable increase in output. A month's work was often required to produce one kain (piece of cloth) of batik tulis, as batik could only be a side occupation for a village woman when she had no more pressing tasks. In 1873 it was reported that by using a selection of cap, some with fine patterns and others with less attractive patterns, one fine kain could be printed within one day and four coarser ones in the same space of time.[8] In a reasonably short time a large number of batik kain could be made from one pattern and, if there was a sudden demand for a particular pattern, it could be satisfied relatively quickly.[9]

The field was open for Chinese entrepreneurs with disposable capital. With a small amount of capital a few cap would be acquired, although considerably more was required to purchase the whole sets needed for large patterns.[10] In 1873 it was reported that cap, according to how complicated their patterns were, cost between f6 and f12, with some rising as high as f20. A comparatively effective business needed to use about 20 patterns of fairly different character, with additional capital required for the acquisition of workshop space. In the same year 14 Chinese workshops were already operating in Surabaya, side by side with 23 Javanese "ateliers",[11] and from that decade batik cap workshops mushroomed on Java.[12]

Just as the introduction of the cap meant that traditional skills could be superseded by new ones, so too did synthetic dyes break down reliance on age-old Javanese techniques, as the long-standing cachets of various local dyes could be easily and speedily imitated. Traditional dyeing took much time and only after weeks could the required colour be achieved. With the new German dyes the professional secrets of the batik worker no longer played a role, and the way was now open to the Chinese entrepreneur.[13] He was further advantaged by Chinese dominance of the retail trade of Java. A Javanese entering the cap business and able to supply a large range of batik fabrics was at a disadvantage when compared to Chinese competitors with better connections to assist in finding markets. This close connection with the market also enabled a Chinese entrepreneur to obtain the latest intelligence of patterns in demand, which he could then quickly reproduce and place for sale. Chinese entered the industry, too, just at the time when transport was being vastly improved throughout Java, the new rail and tram routes sometimes leading to a decline in traditional batik areas and the rise of new ones.[14]

But the greatest advantage possessed by the Chinese in their entry to the world of batik was the gradual dominance they achieved over the trade in batik ingredients. With the change to European ingredients - cloth, dyes and parrafin which came to be added to the wax - came a virtual Chinese monopoly in these particulars. This monopolistic access was achieved as a simple extension of the long-standing Chinese role as a middleman minority for European commercial interests, so that by the 1920s it was reported that about 90% of this trade was in Chinese hands.[15] Chinese had a considerable history of acting as the "second hand" for the European cloth trade; the NHM from its foundation had sought to dispose of Netherlands cloth through Chinese brokers, giving long-term credits to any Chinese who was regarded as even marginally credit-worthy.[16] The failure of the trade in European printed cottons coincided with the inauguration of the Liberal Policy, the encouragement of European private enterprise in the Indies and a rise in Dutch immigration. With the *cap* came the changeover from the fine cottons of India essential for the *canting* to a much wider range of plain, coarser cloth which the European market could supply.[17] From the 1860s European manufacturers and import houses zealously rushed to supply the market, competing thereby for the favours of Chinese distributors and offering generous credits even to those who may not have been credit-worthy.[18] As late as the 1930s it was reported that Chinese intermediate traders with a capital of not more than f5000 sometimes enjoyed credit of more than f100,000 with various wholesale dealers.[19] The chain extended right down to the individual Chinese on the *pasar*, with his shop for selling cloth.[20]

The process whereby Chinese managed to obtain a dominant position in what had been a completely Javanese industry differed by region and even by city and cannot be fully investigated here. A few examples should suffice. In Batavia *batik tulis* was an old industry with a considerable clientele for certain local specialities such as red and white headcloths. Chinese initially entered this hand industry, the first recorded business being that of The Yoe Jok founded in the 1860s, which by 1869 was already making headcloths for the Padang market by hand.[21] At some period in the 1870s and 1880s the changeover to *cap* took place and Chinese, because of their greater access to capital, began to achieve considerable success in these new ventures. By the early 1890s it was reported that the Chinese were dominating the industry and by 1909 the batik industry in Batavia was said to be completely in Chinese hands. *Batik tulis* began to die out in the early part of the century until by 1929 there was only one *batik tulis* workplace left in Batavia.[22] The number of *batik cap* workshops grew from 105 in 1910 to 197 in 1914, declined in 1915-17 due to the difficulties in obtaining imported goods from Europe, stabilized at 101 in 1918 and grew to 288 in 1924.[23] By 1929 there were 264 Chinese batik workshops in Batavia, compared with 93 Javanese businesses, strongly competing with the traditional batik areas of Yogyakarta and Solo, particularly in the West Java market.[24]

The bases of Chinese success were several. In the first place numerous Chinese possessed toko (shops) where they were readily supplied by the Chinese intermediate trade with batik ingredients such as cloth, wax, dyes, paraffin, resin etc.[25] The key, however, was the availability of the vast workforce due to the desperate economic condition of many Javanese in the kampung surrounding Batavia, and the Chinese ability to organise this workforce. A census of 1929 estimated that for Batavia as a whole 13,063 women and girls were working in the kampung for Chinese batik entrepreneurs, while 2,101 worked regularly in a workshop. This census took place in a period of downturn, and it was estimated that in normal times 6,000 women probably worked in batik workshops.[26]

Most businesses were run by peranakan Chinese well acculturated to Java and barely able to write Chinese, employing as tukang cap fellow Chinese who often lived with the taokeh (proprietor) and helped in the evening with other work.[27] The largest businesses were run by commercial kongsi (associations), made up of family members and friends, who pooled capital for a particular venture.[28] One large batik workshop in Paal Merah belonging to a kongsi made batiks for Java, Celebes, Palembang, the Straits and Rangoon.[29] These businesses were in a position to organise women to work in a workshop but they could also take advantage of women who wanted to work but could not leave the kampung and who might not finish their work for a considerable time due to other activities.

Women working at home were required to complete work after the contour lines had been stamped on the cloth by the tukang cap. Between the contour lines were whole areas which when placed in the indigo must not be allowed to become blue, and these areas must be thickly covered with wax, a task which village women could perform at home with a type of pencil or thick brush. The Chinese taokeh maintained good relations with the village head, the kain were delivered and collected by brokers, and the women were in a position to work for more than one batik business at a time. Even more loosely connected with the Chinese taokeh, but still enmeshed in his economic control, were the hundreds of women who merely wished to make batiks on their own account and at their own expense in the hope of finding a buyer. Perhaps starting out independently, such women would need to buy ingredients from the toko which successful batik taokeh generally owned, would gradually buy on credit and ultimately find themselves so committed that they would make and sell batiks at a fixed price like a wage-labourer.[30]

Similar examples of Chinese penetration of the batik industry throughout Java abound. Two more will suffice, the second to indicate that even where Javanese business appeared to flourish there was Chinese involvement. In Banyumas Residency at the time of the Batik Inquiry of 1929-31 there were 77 Chinese workshops, 21 Javanese and 3

European; all the Javanese businesses were under Chinese economic control, working on commission for Chinese entrepreneurs.[31] Nearly all of the businesses were batik tulis operations and yet in the space of a few years between 1914 and 1918, without introducing the cap, Chinese had been able to take over an industry which had a Java-wide reputation. Interest first began to be shown by the Chinese batik merchants of Bandung, and gradually Chinese already settled in Banyumas kota and Sukaraja encouraged their wives to learn patterns from Javanese women and acquired experienced workers from existing operations. These Chinese were generally highly regarded peranakan, well established in the locality and regarded as alus (refined) by the local people.[32]

The background to Chinese success was similar to that in Batavia. Improvements in transport, particularly the opening of the Yogya-Bandung railway line, accompanied the changeover to imported cloth.[33] Chinese, well supplied with capital and cushioned by other enterprises, were able to maintain themselves in the industry even in periods of contraction in a manner impossible for their Javanese competitors. The Chinese also began very early on to introduce aniline dyes, so taking control by the early 1920s of the dyeing businesses associated with batik-making.[34] But again the key to success was the ample reservoir of workers.

Banyumas in the early twentieth century was a region of agricultural poverty, isolated from markets, where even those with some land could often only harvest enough padi for two months of the year. In these circumstances batik was a way of life; there was no other residency in Java where batik-making was so widespread, with many localities having their own specialities and own techniques and with even men using the canting.[35] The common saying was: "Batik prolongs our life."[36] In areas such as Lasem, where a similar situation existed, Chinese taokeh took advantage of agrarian poverty to keep villagers, and, indeed, whole villages, in the shackles of permanent debt. A steady supply of batik was acquired by making sure that village women were kept in a state verging on debt bondage by means of the advance credit system.[37] In Banyumas the system was initially less pernicious although the results, in terms of supply, were the same: Chinese entrepreneurs would issue "contractors" with money, cloth and wax, and these would advance small amounts to village women with the commission to make batiks at either a fixed price or a price subsequently to be fixed, turning such women into wage-labourers for the entrepreneur in the kota.[38]

> This manner of conducting business has advantages for the taokehs. The wages are generally lower than those paid in an atelier, the batik women in the desas are required i.a. to provide their own charcoal and lighting; no outlay need to be made on supervision, space for ateliers and accommodation for workers. The Chinese even avoids having to give advances to the batik women. They are not in his service, but work rather for the contractor.
>
> Moreover, it is the contractor and not the commissioning agent who bears the risk of spoilt work and theft.[39]

By the late 1920s in Banyumas it had become more common for women to want to work in a town workshop, where there was plenty of material, no lack of firewood and wax, and ample work. Initially, however, in the two main towns of Banyumas and Sukaraja a type of bonding had grown up based on the advance system. The batik tulis business always required a steady supply of experienced workers, which could only be achieved in the case of the entrepreneur who was just starting out by keeping good workers perpetually in debt not only by advances on wages but also by selling on credit. What was required from the woman was work, not repayment of the debt, and village administrations were enlisted to return defaulting batik women.[40]

This was the situation in many parts of Java as Chinese expanded into the batik industry. Even in areas such as Pekalongan, where Javanese businesses still appeared to be flourishing by the late 1920s, Chinese - and also Arab - inroads had been made in ways which were not superficially apparent. At the time of the Batik Inquiry there were 60 Chinese and 1,107 Javanese batik enterprises in Pekalongan Residency, stretching from the coast to the mountains in the interior. The changeover to the cap dated from the 1860s, and batik workshops spread out along the roads which bound the district capitals and even penetrated distant hamlets, using the labour of family members to produce a cheap product.[41]

Nevertheless, the whole system rested on Chinese, and to some extent Arab, credit. Everything - working capital, cloth, wax - was supplied by entrepreneurs in the kota, usually advanced on credit to a contractor who operated in the same way as outlined for Banyumas. None of the small batik workplaces scattered over the Residency could really be regarded as independent enterprises, and batiks were generally fashioned for a price agreed at the time the ingredinets were advanced to the workplace, thus freeing the small business from the need to find a market.[42]

A brief overview of the Chinese entry into the nascent West Java weaving industry in the 1930s shows remarkably similar traits. Again the Chinese followed the pattern of penetration and control, rather than innovation and reconstruction. The West Java weaving industry arose as a result of the Netherlands Indies Government's concern at the decline of the Javanese weaving industry in the late nineteenth century, coupled with a desire to introduce a technique which was sufficiently modern to be competitive but which was appropriate to conditions of heavy rural overpopulation.[43] The result was a decision to seek technical improvements in the existing simple Javanese loom, leading in the 1920s to the production by the Textile Institute at Bandung of an improved handloom with automatic shuttle. Known as the TIB-loom, this was a combination of an old Dutch loom and one used in India; it altered the relationship between hand and machine loom production from 1:50 to c 1:5.[44]

The new loom was quickly adopted in the Bandung Regency, particularly in the south-eastern part, so that by 1938 a textile industry had developed in Java which was providing approximately 80% of the entire Indies requirements in woven sarongs. The number of TIB-handlooms in the area rose from 257 in 1930 to 3,919 in 1935 and to 30,028 in 1938. In 1938, 80% of the weaving factories of Java -

kept small by government regulations - were located in the Majalaya area of the Bandung plateau, consisting of 1,600 businesses employing more than 30,000 workers.[45] The Sundanese took up the challenge readily, possessed as they were of a tradition of cloth weaving coupled with large-scale agrarian underemployment.

Chinese were already commercially active in textiles in the city of Bandung. Playing no role in the batik production industry, Bandung was from the mid-nineteenth century the central batik market for the whole of Java, attracting batik traders from as far away as Banjarmasin, Makassar and Padang. From the early years of the twentieth century the batik market, which had previously been in the hands of an Islamicised network of traders operating between Bandung and the Principalities, came to be dominated by Chinese traders with superior business practices. With the increase in the sarong trade, this part of the market also fell into Chinese hands.[46]

From the mid-1930s these Chinese textile traders, without ever having been responsible for any innovations, penetrated the sarong-weaving industry, so that by 1939 about 29% of the businesses in the Bandung region belonged to Chinese or Arabs. Not only did they open their own premises, they also took over existing Sundanese businesses, a trend which continued for some years after 1945.[47] Moreover, as with the batik industry, Chinese traders dominated the sarong industry in a more profound way, by financing it in its many aspects through a system of advances;[48] as late as 1965 researchers were able to confirm the existence of this pattern of dominance, commenting that Chinese were the financing contractors to a large part of the indigenous textile industry.[49]

The system of advances operated in the same way as in the batik industry, and for the same reasons the Bandung Chinese had most of the advantages. In the first place, the cost of yarn made up c. 70% of the cost price of the sarong, and this yarn was imported. In addition the sarong was very prone to changes in fashion, so that relationships to the market were very close. This was particularly important for the Majalaya region where production was far in excess of regional consumption, increasing dependence on Chinese marketing contacts throughout Java. The methods used by the Chinese to exercise their control were also similar to those used in the batik industry. The Chinese Bandung textile merchant was able to keep the small weaver in a continuous state of debt: yarn was supplied in accordance with the number of looms but, while the production process from start to finish took three weeks, yarn was supplied only in quantities sufficient to keep the looms busy for one week. With the week required for preparation and one for finishing, new yarn could not be advanced when the finished sarongs were delivered; rather, when sarongs made from the yarn advanced three weeks previously were delivered, the weaver had already obtained two new deliveries of yarn.

The existence of government regulations limiting the size of sarong factories may provide partial explanation of why the Chinese did not move towards the mechanisation of the industry; on the eve of World War Two only about 18% of Chinese factories were mechanised and even by the mid-1960s there were still no large mills by international standards, the traditional labour-intensive techniques based on the TIB-loom dominating the industry.[50]

But such an explanation can indeed be partial only. Reflection on the role of commercial minorities who moved relatively painlessly into the role not merely of entrepreneurs but of industrialists in, for example, India leads to a certain amount of puzzlement over the lack of pioneering industrial spirit among the Chinese in Java. Had the culture of the monopoly lease system become too deeply ingrained in Chinese commercial practices? Or, since the Javanese textile world of the twentieth century was more and more dominated by <u>singkeh</u> Chinese, should what is known about the strongly Javanized <u>peranakan</u> culture created by the older Hokkien-derived communities in parts of Java be balanced against consideration of the distinctive spirit of the newly arrived <u>singkehs</u> of the late nineteenth and early twentieth centuries? It is possible that in many cases <u>singkehs</u> in the Javanese textile world remained characterized by a sojourning mentality, with all the implications this has for attitudes to capital. As Bonacich has pointed out, the sojourner requires a portable or easily liquidated livelihood such as is provided by "middlemen" occupations. Hence there is a preference for using capital in trade or moneylending, where it turns over much faster than when used in industrial establishments, and possibly this preference for a minimum of fixed investment meant that the Chinese never really elevated themselves above the restricted limits of the circular flow economy.[51]

The most striking manifestation of this trait was Chinese reluctance to entrust money to banking institutions. This was partly because, in a region of capital scarcity, short-term investments were highly remunerative; the high rates of return available to investors in speculative ventures, through the financing of the exchange of goods and by short-term credit extension, discouraged investment in long-term developmental and entrepreneurial projects.[52] Bank credit extension in any case was not required because the Chinese intermediate trade, of which the textile industry was a part, generally worked, as has been noted, with credit furnished by European wholesale importers and exporters. Because of its dependent position, the Chinese "second hand" often preferred to appear apparently destitute of capital particularly as European importers, who were better informed of international market conditions, repeatedly tried to get rid of their stock to Chinese intermediaries when prices were on the decline. In any case, this system did put the services of European banks at the disposal of the Chinese because Dutch wholesalers themselves operated with bank credit in order to supply goods on credit to Chinese retail and intermediate traders.[53]

In these circumstances the commercial <u>kongsi</u> (association), already noted in relation to the batik industry, was the preferred investment medium. The strong preference for keeping capital within the investor's own purview - the family sphere - indicated that it should not be handed over to the impersonal, unknown destination of a system of public companies. <u>Kongsis</u>, made up of family and clan members often from the same port in South China, were not merely business ventures but also expressions of communal solidarity, exhibiting a marked corporative tendency in every department of life; they were characterised by a dominance of personal factors over business interests, the basic objective being the creation of an association of persons rather than what might be called the indiscriminate mobilization of capital. Even the smallest businesses, such as a village <u>toko</u>, could be run by a <u>kongsi</u>, and the institution had the flexibility of existing over a long period or being dissolved on the conclusion of a single transaction.[54] It was such kongsis which permitted the larger Chinese batik cap enterprises to flourish, as at Ambarawa where in 1930 there were 8 large Chinese cap businesses comparable in size to the big enterprises of the Principalities with 195 tukang cap and 65 dyers employed in all.[55]

Such banks and limited liability companies as the Chinese did establish were really private family concerns in which the idea of capital association was thrown into the background. The significance of such small banks as did exist was as part of a group of concerns and so as a tool of the interests of the promoters rather than of the public. An example was the N.V. Bankvereeniging Oei Tiong Ham, established in 1904 and named after the prominent leaseholder and Majoor der Chinezen at Semarang, one of the richest Chinese in Java. The aim of the bank was to serve the financial interests of the parent company, the Oei Tiong Ham Concern, founded in Semarang in 1863 by a Hokkien emigrant who began by trading in Chinese commodities and exporting sugar and tobacco; ultimately the company came to own sugar and flour factories, cassava plantations and building companies.[56] Family solidarity also predominated in limited liability companies, facilitated by the commercial code of the Netherlands Indies which required that only two or more persons invest funds in an enterprise for it to be eligible for registration with the Government as a corporation (naamloze vennootschap). The Chinese were quick to seize upon this opportunity: of 55 Chinese limited liability companies established in Semarang in 1922 and 1923, 33 (60%) were formed by two persons, 18 (about 30%) by three or four persons and only 4 by more than 4 persons. Of these 55 corporations the principal shareholder held on average 68% of the stock.[57]

Lea Williams has discussed extensively the lack of a capital market capable of supplying the needs of Chinese entrepreneurs. He sees nearly all phases of Chinese business life as being closely tied to the extension of short-term credit, which was sufficiently remunerative to limit sharply long-term credit extension. Added to this were leakages including the sending of remittances to China, maintenance of family or clan funds on Java and loans to Javanese at high rates of interest for short periods, whilst the wealthy were always eager to invest in houses, building lots, jewellery and goods to be used in speculation or price fluctuations.[58]

More could be said on the Singkeh value system in essaying an explanation of why the Chinese in Java by 1939 appear as failed industrialists. If, however, it is accepted that it is society as a whole which is the true arena of entrepreneurship and that is to this that the moral economy of the merchant family adjusts its strategies, then perhaps the situation in 1939 is not so difficult to comprehend. Fifty years later, the nature of the state having changed much in the meantime, the industrial role of the Chinese appears in a clearer light.

FOOTNOTES

1. Onderzoek naar de Mindere Welvaart der Inlandsche Bevolking op Java en Madoera vi Samentrekking van de Afdeelingsverslagen ... in de Residentie Rembang (Batavia, 1906), p. 27; idem ... in de Residentie Soerabaja (Batavia, 1907), p. 38; idem ... in de Residentie Semarang (Batavia, 1907), p. 76.

2. Idem, Rembang, p. 15; J.L. Vleming, Het Chineesche Zakenleven in Nederlandsch-Indië (Weltevreden, 1926), pp. 220-21.

3. For a discussion of the background see C. Dobbin, "Islam and Economic Change in Indonesia circa 1750-1930" in J.J. Fox et al Indonesia: Australian Perspectives (Canberra, 1980), pp. 253-4.

4. J.L. Rovers, "Bijdrage tot de Kennis der Inlandsche Katoen-industrie op Java", Tijdschrift van Nijverheid en Landbouw in Nederlandsch-Indië, xviii (1873) 429.

5. T.S. Raffles, The History of Java (Kuala Lumpur, Oxford in Asia Historical Reprint no. 1, 1965), p. 168.

6. P. De Kat Angelino, Rapport Betreffende eene Gehouden Enquete naar de Arbeidstoestanden in de Batikkerijen op Java en Madoera. Deel III: Oost-Java (hereinafter Batikrapport 3) (Batavia, 1931), p. 160.

7. Dobbin, "Islam", p. 254; Rovers, "Inlandsche Katoen-industrie", p. 422.

8. Rovers, "Inlandsche Katoen-industrie", pp. 419-20.

9. P. De Kat Angelino, Rapport Betreffende eene Gehouden Enquete naar de Arbeidstoestanden in de Batikkerijen op Java en Madoera. Deel I: West Java (hereinafter Batikrapport 1) (Batavia, 1930), p. xiv.

10. Batikrapport 1, pp. xv, 169.

11. Rovers, "Inlandsche Katoen-industrie", pp. 420, 422, 427.

12. Batikrapport 1, p. xiv.

13. Ibid., pp. xii, xv-xvi.

14. Ibid., p. xvii, Batikrapport 3, p. 160.

15. Batikrapport 1, p. xv.

16. For a discussion of this policy based on NHM archives see C. Dobbin, Islamic Revivalism in a Changing Peasant Economy: Central Sumatra 1784-1847 (London and Malmo, 1983), pp. 214-6.

17. Rovers, "Inlandsche Katoen-industrie", p. 422.

18. F. Atling Mees, "De Indische Groothandel en de Chineesche Lijnwaadhandel", De Economist (1884) 229, 242-3, 248.

19. W.J. Cator, The Economic Position of the Chinese in the Netherlands Indies (Oxford, 1936), p. 70.

20. C. Poensen, "Naar en op de Pasar", Mededeelingen van wege het Nederlandsche Zendelinggenootschap, 26 (1882) 4, 12-13.

21. Batikrapport 1, p. 13.

22. Ibid., pp. 13, 64; Batikrapport 3, p. 143.

23. Batikrapport 3, pp. 139, 144.

24. Batikrapport 1, pp. 4, 7-8, 12, 85, 148.

25. Ibid., p. 10.

26. Ibid., pp. 6-7.

27. Ibid., pp. 45, 56, 58.

28. Ibid., pp. 45-6.

29. Ibid., p. 48.

30. Ibid., pp. 64-6, 84.

31. P. De Kat Angelino, Rapport Betreffende eene Gehouden Enquête naar de Arbeidstoestanden in de Batikkerijen op Java en Madoera. Deel II: Midden Java (hereinafter Batikrapport 2) (Batavia, 1931) pp. 3, 7.

32. Ibid., pp. 4-5, 38-40.

33. Ibid., p. 4.

34. Ibid., pp. 3-5.

35. Ibid., pp. 3, 10, 15.

36. Ibid., p. 11.

37. Ibid., pp. 269-320.

38. Ibid., p. 6.

39. Ibid., pp. 12-13.

40. Ibid., pp. 16, 24-32.

41. Ibid., pp. 212-7, 321; Rovers, "Inlandsche Katoen-industrie", pp. 414-5.

42. Batikrapport 2, pp. 222-4.

43. *Onderzoek naar de Mindere Welvaart der Inlandsche Bevolking op Java en Madoera* via Deel I (Batavia, 1909), pp. 101-4; G. Schwenke, "De Weefindustrie in het Regentschap Bandoeng", *Koloniaal Tijdschrift* xxiii (1939) 160; W. van Warmelo, "Ontstaan en Groei van de Handweefnijverheid in Madjalaja; *Koloniale Studiën*, xxiii (1939) 5-7.

44. Van Warmelo, "Handweefnijverheid", p. 8; Schwenke, "De Weefindustrie", p. 159.

45. Van Warmelo, "Handweefnijverheid", p. 9; Schwenke "De Weefindustrie", p. 160-61.

46. *Batikrapport* 1, pp. 95-98.

47. Van Warmelo, "Handweefnijverheid", p. 11; Schwenke, "De Weefindustrie", p. 163; I. Palmer and L. Castles, "The Textile Industry" in B. Glassburner (ed.), *The Economy of Indonesia: Selected Readings* (Ithaca and London, 1971), p. 322.

48. Van Warmelo, "Handweefnijverheid", p. 17; Schwenke, "De Weefindustrie", p. 163.

49. Palmer and Castles, "Textile Industry", p. 322, ftn. 18.

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52. L.E. Williams, "Chinese Entrepreneurs in Indonesia", *Explorations in Entrepreneurial History* 5 (1952) 37-8.

53. J.L. Vleming, *Het Chinbeesche Zakenleven in Nederlandsch-Indie* (Weltevreden, 1926), p. 150; Cator, *Economic Position*, pp. 65, 69, 70-77; T.D. Liem, *De Distribueerende Tusschenhandel der Chineezen op Java* (The Hague, 1952), pp. 25-6.

54. Vleming, *Chineesche Zakenleven*, pp. 69-70; Cator, *Economic Position*, pp. 60-61.

55. *Batikrapport* 2, pp. 47-8.

56. J. Panglaykim and I. Palmer, "Study of Entrepreneurialship in Developing Countries: The Development of One Chinese Concern in Indonesia", *Journal of Southeast Asian Studies* 1 (1970) 86-8.

57. Vleming, *Chineesche Zakenleven*, pp. 76-7, 80; Cator, *Economic Position*, p. 62.

58. Williams, "Chinese Entrepreneurs", pp. 41-5.

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REVENUE FARMS AND THE ACCUMULATION OF INDIGENOUS CAPITAL IN SOUTHEAST ASIA: A FOOTNOTE

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The relationship between revenue farming, capital accumulation and investment in "modern" enterprises is difficult to define precisely. While it appears that the major revenue farms (opium, spirits, gambling etc.) usually returned large sums to those who had invested, and while it appears that those who held the major farms were often at the same time initiators of "modern" enterprises, the nexus between this one source of revenue and participation by local economic elites in Southeast Asian economic development remains fuzzy.

One of the difficulties arises over the question of whether proceeds from revenue farming were invested in the various enterprises (steamship companies, smelters, cement works, plantations, rice and sugar mills etc.) in which local elites became involved from the late nineteenth century.[1] We know that such investments were made, but it is difficult to document the actual source of monies invested. In this brief paper I shall not attempt to do more than outline general trends suggested by the careers of some of the major farm holders in nineteenth-century Siam and the Malay States. My reading of the Chinese attitude towards revenue farms is that they did not regard the farms as an unusual or out of the ordinary way to accumulate money. Rather, revenue farming was one among many activities which generated capital for economic investment; the revenue farm itself was simply another enterprise.

The careers of Khaw Soo Cheang (1797-1882) and Tan Kim Cheng (1829-1892) are instructive in that the two men arrived at the same positions from very different backgrounds. What is interesting in contrasting their paths to wealth and power via the revenue farm route is how closely political and economic interests are interwoven even though the political and economic milieus in which they operated were very different ones. Khaw Soo Cheang was a penniless immigrant with no social connections in the Malay world; Kim Cheng was the son of a wealthy and respected Singapore family. Soo Cheang gradually worked his way into more and more lucrative farms in a remote region of Siam; Kim Cheng began at the top by acquiring a partnership in the Singapore opium monopoly. Soo Cheang, and especially his children, became the paramount political figures in west-coast peninsular Siam through patronage; Kim Cheng became important politically through his wealth and ability to manipulate, sometimes through partnerships with Europeans, Malay politics.

The picture which seems to emerge from a study of some of the "members of the business elite" is that most were not

[1]. I accept that revenue farming provided various indirect savings through reduced labour costs, recycling of wages, etc. which, in Butcher's words, "allowed a businessman to make an overall profit on his investment" (1988:9). What we shall be looking at here is whether we can trace the investment of those profits in enterprises which had no connection with farms.

immigrants like Khaw Soo Cheang but came from long-established families in the Malay world. They acquired farms as so many papers for this conference have already noted because they were already wealthy and powerful. The farms did serve "as the linchpins of their wider commercial interests" (Dick 1988: 2,4). But as the career of Khaw Soo Cheang suggests, different types and values of farms were acquired at different stages in the entrepreneur's life. Khaw Soo Cheang was able to achieve the heights by securing the right to collect the main taxes for the western states in the 1870s, but he was able to do so only after many decades of being the farmer for a much less substantial and important farm in his one small locality of Ranong. But the larger syndicates were not always so lucrative as the smaller: as the papers by Brown and Trocki explain, the larger farms could be as much of a drain on surplus funds as any other failed business. And some partners, like Cheah Choo Yew, found it cheaper to get out of the syndicate than to remain in.[2]

Other questions are suggested by the different patterns we find among farm holders: to what extent, for example, was the acquisition of a revenue farm based on the political power of those bidding? In some cases "Chinese became revenue farmers precisely because they exercised great political power" (Butcher 1988:6); Khaw Soo Cheang, on the other hand, first secures the farm (1844) and is then made governor (1854) of Ranong. Tan Kim Cheng acquires the right to revenue collection in Perak and is then said to have "power superior for that time, to any of the other officers of State" (Khoo 1972:217). The relationship between power and farms seems to be directly related to the kind, size and value of the farm involved: if it is large and lucrative it goes to the powerful; if small and less important, the up-and-coming might have a chance.

And being Chinese was not a <u>sine qua non</u> for capital accumulation as a revenue farmer. Wilson (1970; 1988:7), Hong (1984) and Brown (1975; 1988) have all documented that Thai were active in the farms, holding them individually or in partnership with Chinese. Given Wilson's assessment that Thai tended "to start farms dealing with local products at the local level" and Brown's discussion of the alliance, albeit an unhappy one, between Penang Chinese and Thai officials in the opium syndicate, we find that several patterns of indigenous participation in capital accumulation are possible.

[2]. The correspondence between the Ministry of Finance and the Office of the Financial Adviser on this subject makes for fascinating reading. Strobel clearly believed that Cheah and his associates were getting a good deal by being let out of the syndicate for the same price as they got in - he absolutely rejected the idea that they should get more as Cheah initially requested (KKH 0301.1.6/4: 15/8.05: Strobel to Finance).

Once the funds are accumulated, what does the revenue farmer do with his money? There is not much evidence as to the actual amount a farmer earns for himself. I have provided a few examples below, but the data about farm earnings above the amount required by the state has not been systematically collected. We may, for example, have overestimated the financial importance of the big farms like opium when perhaps what mattered to the farmer or the syndicate was keeping competitors out to protect the farmer's other enterprises (Dick: 1988). These farms may not, moreover, have generated the large sums of capital we might have expected given the amounts they were theoretically to remit to the state. As a result, farm revenues may not have been any more significant a component in economic modernization than the profits from non-farm enterprises.

On the other hand, there often seems to be a strong correlation between those holding farms (especially the major ones) and those involved in large-scale enterprise.[3] Brown remarks that in the Siam Commercial Bank, the "merchant/tax-farmer partners ... accounted for the largest single block of shares (Brown:6). And Dobbin (1988:2) suggests that the Chinese entry into the batik industry lay in their ability of marshall "varying amounts of capital, released due to the ending of the monopoly lease system".

With the examples that follow, I shall try and highlight some of the various ways that farm proceeds served to inject capital into the economies of Siam and the Malay States. The careers of Khaw Soo Cheang, Tan Kim Cheng and their business associates reinforce a sense of the variety apparent in what is sometimes (although not by the farmers at this conference) expressed as a homogeneous and unified economic institution.

Khaw Soo Cheang:

1820s	Arrives Penang
1830s	Settles in Phangnga/Takuapa
1830s	Trades by boat with goods from Penang to Ranong/Kra Brings tin to sell at Penang
1844	Applies to Ministry of Defence for tax farm of Ranong in tin Title raised to Luang Rattanasetthi Conditions: pay $96 more than former holder (total payment $2000/year) Pay on time twice a year

[3]. Not all investment, however, was in the industrial or banking/financial sectors. In her discussion of Kay Calavan's thesis, Wilson notes that Thai were more prone to invest in such "traditional" outlets as land and agriculture (1988:17).

He was to "certify the condition of the smelting furnace, coolies quarters, large and small boats, tolls, tin ore waste, charcoal and equipment when he receives them from the previous official; evaluate conditions and prices of items in a fair manner and compensate as according to practices in the farms of Phangnga and Takuapa" (Damrong:3-7).

1854 Governorship of Ranong falls vacant; Khaw appointed; title raised to Phra Rattanasetthi
Ranong still under Chumphon
taxes remitted to Chumphon for transmission to Bangkok
Nothing about increases in taxes
Khaw "had been royal collector of royalties for tin and other taxes before being appointed governor and he knew the conditions well so when he was appointed governor, it was necessary to combine the two positions to be able to administer the affairs of the province in a successful and favorable manner which will be beneficial to the government and for the personal gain of the governor" (Damrong:18).

1862 Ranong removed from Chumphon
Soo Cheang's title raised to <u>phraya</u>
Reasons why Khaw continued as tax collector and governor:
a. The person involved in collection of royalties in Bangkok "did not dare proceed to Ranong to make the necessary collections";
b. local populace did not have enough capital or manpower to tender in competition with Khaw Soo Chang (Damrong:19)

History of tax collection: Five categories of taxes (<u>phasi phonprayot</u>) from Ranong:
1/tin
2/goods and produce imported into the province to be taxed @ 3%
3/opium
4/wines, liquors and spirits
5/gambling dens
The case of the governor being the monopolist for these taxes was first practiced in Ranong and when seen to be successful, was extended to Takuapa, Phangnga and Phuket. "That it became a 'matter of a beneficial nature' is because the authority to govern the province in combination with the authority to collect royalties, duties and taxes became one overall action involved in the general administration". In sparsely populated areas, the governor is urged to increase the population to get more ore and more money for the government; not to let people emigrate; but also not to abuse the population (Damrong:19)

Taxes from the western regions since the reign of Rama IV:

Phangnga (incl. provincial town of Takuathung):	26,960B./yr.
Phuket:	17,360B./yr.
Takuapa:	26,960B./yr.
Ranong:	4,700B./yr.

(Damrong:22)

Tan Kim Cheng:

1829 Born in Singapore.
Eldest son of Tan Tock Seng who was born Malacca 1798; came to Singapore early 1820s; began as a vegetable, fruit and fowl seller; made a bit of money and opened a shop on river; joined in a speculation with J.H. Whitehead and it was chiefly by this means that he made most of his money; died 1850 (Song:66).

On death of father business at Boat Quay was known as "Tan Kim Ching" and he was sole owner to 1851.

1850s already rich as defrays cost of additions to Tan Tock Seng Hospital (Song:63)

Firm finally became known as Kim Cheng & Co. and owned rice mills in Saigon, Siam and elsewhere.

Kim Cheng owned steamers; mining concessions in northern Malay states.

Head of the Hokkien Huey-kuan and he was styled "capitan china" (Song:92-3).

Rama IV makes him Consul-General for Siam in Singapore

1866 he and W.H. Read (businessman) formed a syndicate under auspices of Raja Abdulla to take over the collection of revenue in Klang (Selangor). Read-Kim Cheng Syndicate to receive 2/10th of revenue collected; estimated value of trade in territory St$1 million (Khoo:87): Value of tin duty in 1878 was St.$111,920 (Wong:251). One-fifth = St$22,960.

Revenue for Selangor in 1878 was St$189,897 (Wong:261). One-fifth = $37,980 (Might have been similar for the 1866 period as 1878 is still before the big imports of tin begin)

Also allowed to mine tin in Klang (Khoo:143)

1873 when Tan involved in bidding for Siam tax farms, also involved in Perak and attempts to establish Raja Abdullah and therefore gets position as collector for Larut for ten years (Khoo:217) which by 1883 worth $130,000. if still getting one-fifth of revenue collected (Wong:251). He is said to have "power superior for that time, to any of the other officers of State" (Khoo:217)

1870s also involved in Sungai Ujong politics (Khoo:221)

TAN/KHAW PATHS CROSS.

1866 Tan submits petition to "inspect tin mines in Thraburi (Kraburi), Ranong, Langsuan, Takuapa; after inspection submits petition to operate tin mines in Thraburi, an area not yet opened for the production of tin" (Damrong:22-23)

1868 Tan made governor of Thraburi and raised to rank of Phraya Asadonkottitraksa; mines not successful as compared with others in area; granted the position because of "gossip" that France wanted to dig a canal across the peninsula.

1872 Tan comes to submit petition that Phraya Wichit Songkram, governor of Phuket, was collector of duties and taxes for Phuket. He used the money for his own personal advantage. Paid only B.17,360/yr to government. Tan says if he is granted a monopoly for tin in Phuket (alone? not clear as next para says incl. Ranong), he will remit for tin mines B.202,640 and in total, B.320,000 (Damrong:24)

Good and bad points according to Damrong (25):

1/governors of regions successful in tenders for operation of tin mines because no other outside parties "dared to compete against their bids".

2/Collectors of duties was not in capacity as governors, but "as merchants"

3/All the duties and taxes collected would be used for construction of necessary roads and other things to benefit the region.

4/While Tan's bid is generous, after amounts sent to government, the balance will "belong to the personal advantage of Phraya Asadong (Tan Kim Cheng)"

5/ There will be nothing left to improve facilities and promote the welfare of the local people.

6/Cannot ignore his offer but will cause problems in the "control and administration" of Phuket (It would be more open to British control)

Therefore, Chaophraya Sisuryawong contacted Phraya Wichit Songkram and advised him to increase his tender.

a. New tender be B.16,000 thus making the total payments to government at around B.336,000/yr. (33,360?)

b. Royal order issued appointing Wichit as collector of royalties for tin ore of Phuket

Wichit Songkram proposes to take over the taxes of the west coast but that not acceptable.

Governors of west-coast provinces went to Bangkok to discuss Wichit's proposals. They say cannot do maintenance etc, and still increase royalties to this extent. It was agreed that Wichit's tender was high.
Therefore ordered Takuapa (Nut NaNakhorn) (which included Takuathung) to pay B.16,000 more (42,960?)
Phangnga (Chum NaNakhorn) to increase by 8,000 (34,960?)
Ranong (Khaw) increase by 8,000 (12,720?)

They were all reappointed as collectors of tin ores and taxes in respective areas (Damrong:26).

Benefits: taxes to government increased

Must increase population ("Chinese nationals") in order to make the additional money on taxes and this will benefit the government because the increased tin will be sold in Penang and the money sent to Bangkok.

With more Chinese, "opium, wine and liquor will sell in larger quantities; gambling will increase; imports paying 3% will increase, and the collections in all the categories will greatly increase and <u>the governors of these regions will earn more income 'after payments [to govt] of the necessary royalties, duties and taxes'</u>"

Improve the infrastructure of these regions, increase trade, the income of local populace and "the country will improve in prosperity"

Notes, however, that one problem with the increase is that governors will collect as much as possible to meet the requirements of the treasury and to <u>"improve their personal incomes, which cannot be exactly evaluated"</u> (Damrong:27-28).

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As to the use of revenue farm funds for increasing business involvement, Damrong clearly seems to have regarded the two as closely interlinked. He mentions, after discussing the success of Khaw Soo Cheang as tax farmer that not only does Ranong become a province of "wealth, peace and happiness", but in the next sentence, he says that "the governor also increased his various businesses and established a business branch called Koe Guan in Penang where "goods and other agricultural products from Ranong are sold through these branches". He also began working tin ores in Langsuan and "used his financial capital from Koe Guan to make Langsuan a prosperous province" (Damrong:20). (In 5th reign gets his son, Sim Tek, raised to phra then later to Phraya and governor of Langsuan.) In this case, political power follows economic success.

Other Revenue Farmers/Entrepreneurs

Offspring of Khaw Soo Cheang:

Khaw Sim Bee: partner in Penang Opium Farm 1904 (Straits Directory:1904)
Khaw Joo Choe: Director of Phuket Opium Farm (Ban Huat Bee) for six years (c.1897-1903);
Director of Singapore Opium Far 1904-06 (Chop Sin Chin Ho Bee) (Wright:156).

Members of Farms:

Cheah Choo Yew	$ 70,000	in 1907-09 Penang Farm
Gan Ngoh Bee	500,000	in above
Lim Kek Chuan	210,000	in above
Foo Choo Choon	400,000	in above
Chung Thye Phin	50,000	in above (Opium Commission, vol.3)

Gan Ngoh Bee: son of Gan Guan Teat, a rice merchant of Saigon, b.1859; English educated Calcutta; goes into business with an uncle and brother trading in produce, pepper and tin; Calcutta/Rangoon branches; "failing to find enough scope for his energies in Calcutta", in 1889 goes to Singapore and became a partner in opium farm; 1897-1907 in Penang to manage farm; big share in Tronoh Mines and in Perak (Wright:761)

**Ong Hun Chong; father a tin merchant; b. 1865 Penang; Partner in Penang farm and Phuket; deals in tin and rubber.(Wright:772)

**Lim Leng Cheak; born in Penang 1850; father one of first to come to settlement; Chip Hong Bee Mill (rice and oil); saved capital, went to Aceh, began shipping pepper, got a fleet of steamships; tapioca estate in Kedah; 1888 set up a rice mill in Alor Star and got a 20 year monopoly; opium farmer in Kedah; rice mill in Penang 1893; Singapore Opium Farmer 1898; 1899 sugar mill in Alor Star; dies 1901; leaves big mills everywhere; daughter marries Khaw collateral Goh Boon Keng (Wright:820, 761; Singapore/Straits Directory 1899).

**Chung Thye Phin: Born of a multimillionaire father who was Kapitan of Taiping; mines have latest up-to-date equipment; into monopolies (Wright:130)

**Foo Choo Choon: Grandfather emigrated to Penang;b.1860 in China and at 13 came to Penang to be educated; got lease for Tronoh Mines; other mines, Ipoh foundry, Tanglin rubber plantation; employs 10,000 coolies (Wright:130-1)

Khoo Hun Yeang: b. Penang of a Penang coconut planter who was born in Penang in 1826; ran coconut plantation Province Wellesley 10 years; returned to Penang; joined opium and spirit farm of which his father was manager; 6 years later, he commenced business on his own account under the chop Chin Lee and built up a big business as a tin and general merchant; 1899 made managing partner in Singapore syndicate as "his business ability was recognized" (Wright:156)

**Lim Kek Chuan: born Penang 1858; opened a rice business in Burma; subsequently became interested in tin mining and opium farms (Wright:156)

**Loke Chow Kit: went to work for European firms; joined Loke Yew in Selangor farms and later became involved in numerous other farms; with brother Loke Chow Thye is partner in hydraulic mines; director of cement company; agent for Wee Bin and Koe Guan steamship companies (Wright:160)

** Associate of Khaw in business ventures - Khaw Group (Cushman 1986:70)

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From these and other histories of nineteenth-century entrepreneurs, it appears that the farms were regarded as one of a number of investments. People were not usually invited to join until it had been proved that they knew what they were doing financially. The two criteria, financial ability and success at some business (see, e.g., Godley/Copland (1988:4) that state gets people "loaded with money" earned from trade ...; Diehl (1988:6) "quite a number had accumulated great wealth"; Trocki: passim) - appear to be the most important for participation in the larger syndicates. There seems to be a strong correlation between farm participation and involvement in modern enterprise. Until we know more, however, about how much money individual farmers received from their shares in the farms and in what ways that money was allocated, all we can do is to speculate that the profits from farms, along with those from other investments in tin mines, shipping firms and so forth, all contributed to the pool of capital available for investment as western firms began to fill the niches formerly monopolized by local entrepreneurs. A pool of expertise and finance was available; whether that pool was used effectively may have had more to do with European interests in ensuring that it was not than in an inability by local entrepreneurs to respond to the economic challenges of the twentieth century.

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REVENUE FARMING IN SOUTH AND SOUTHWEST ASIA

REFLECTIONS ON TAXATION, SOCIAL STRUCTURE AND STATE-FORMATION IN THE EARLY MODERN PERIOD

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It is axiomatic that the taxation system in operation at any place or time is characteristic of the social and political structure, perhaps shaped by even more fundamental determinist forces as the Marxists would argue. But whatever the society or method of analysis, taxes have served a variety of socio-economic functions while providing a back-pocket index to the extractive power of the state, both traditional and modern. Although it is probably true that nothing is certain except death and taxes, the study of revenue farming should prove of considerable interest to comparative historians, one drawing upon interdisciplinary and cross-cultural perspectives while furthering discussion of those factors which led to the emergence of a modern, increasingly global, political economy.

INTRODUCTION

Few large, pre-modern, states were able to raise revenue without resort to some form of revenue farming (Wickham: 1985, 177). Indeed the system of selling or auctioning the right of collection, thereby "farming" taxes, is as old as antiquity. Practised in ancient times (Michell: 1940, 356-7; Levy: 1967, 59-60, 356-7; Weber: 1968, III, 1045-6), it has been described as the "backbone of the administrative structure of the state" in the Ottoman and classical Middle-Eastern empires (Inalcik: 1980, 327), was commonplace in other Islamic areas including Persia (Lambton: 1981) and Mughal India, and also figures prominently in early modern Europe (Mathews: 1954; Ashton: 1956).[1]

Evidently ubiquitous, revenue farming has been variously understood by social theorists as a transitional stage between the patrimonial-household state and the modern bureaucratic state, as a factor in the development of capitalism, and as characteristic of the "Asiatic mode of production".

Max Weber, the father of what might be described as the "sociology of taxation", held that tax farming was predatory and irrational. Though the most important means of capital formation in antiquity, he blamed tax-farmers for the failure of capitalism in the ancient world (see Andreski: 10, 37, 47, 52-5, 147).

In the case of patrimonial Islamic rulers, Weber (1968: III, 1016, 1076) contended that, unable to pay their mercenaries, they had given direct access to tax payments and then defacto ownership of the land until "the feudalization of the economy" paralyzed commerce. And as he expanded his analysis (1958, 71) to include Caliphate, Sassanid and other Oriental administrations:

> In India, as in the Orient generally, a characteristic seigniory developed rather out of tax farming and the military and tax prebends of a far more bureaucratic state.

According to Weber (1958: 75, 86, 200) , the creation of tax prebendaries and their endowment with political power had led to a form of "political capitalism". This he defined as the accumulation of wealth by officials, tax farmers and other state purveyors who, at least in the case of imperial China, were virtually one and the same (1951: 85).

No doubt from Weber's point of view, "prebenization" and "feudalism" were quite different socio-econonmic phenomena, pointing in separate developmental directions, despite the fact, as so many critics have pointed out, that it is difficult to argue that the Ottoman and Mughal empires, not to mention imperial China, were less rational social, political or economic creations than the struggling states of sixteenth and seventh-century Europe.

Such views seem to have been influenced by the nineteenth-century European perception of a "despotic" East characterized by the ruler's appropriation of surplus through a class of officials who were usually his tax farmers, an outlook shared to a degree by Marx and then furthered by advocates of an "Asiatic" mode of production. More recent writers, many claiming to be "Marxist", only add mud to already cloudy water when they substitute another Eurocentric notion and label traditional Asia "feudal".[2]

As Marx read about the East, and India in particular where the state appeared to stand directly over the primary producers as both sovereign and landlord, he had great difficulty deciding whether the appropriated surplus could be considered rent or tax (Krader: 1975, 123, 239-41). The resulting rent/tax coupling, which has much in common with the Weberian prebend and likewise haunts discussion of an "Asiatic mode of production" is familiar to most students of political economy.[3]

Nonetheless, the idea that the prebendal, tax-farming, nature of Eastern empires somehow restricted the growth of capitalism seems widespread, shared by Braudel and Wallerstein (see Turner: 1984, 80-1), even though tax-farming has been associated with both commercialization and state formation in early modern Europe. Indeed customs farms under the Stuarts, and the better known *ferme-generale* which persisted until the French Revolution, have already been depicted by Europeanists as a critical element in the rationalization of public finance, one concomitant with the emergence of capitalism (Ashton: 1960; Bosher: 1970).

Moreover, Alyer (1974: 449-50) maintains that tax-farming was a Europe-wide phenomenon related to the stage of development reached by national fiscal systems and connected with the attitudes of the dominant social groups toward both the crown and taxation: a tacit recognition by the absolutist state that the revenues could not be fully collected. Despite the many abuses which attracted the attention of earlier historians, seventeenth and eighteenth-century tax farms have, at least in the European context, likewise been described as a positive step forward in the formation of the new nation-state and perhaps the only way, at a time of infant bureaucracies and undeveloped banking, to meet the ever-growing need for the financial means to expand state power (Wallerstein: 1974, 29-31, 137; Tilly: 1975, 58).

Unfortunately, some of the grand generalisations that have been made about tax farming rest upon insubstantial evidence, while others are flatly contradictory. The following paper attempts to establish, with reference to two important "Islamic" empires -- the Ottoman and the Mughal -- whether farming was, indeed, a central feature of pre-modern political economy. It also tries to clarify the impact of farming on state power. Was it, as some writers have claimed, typical of weak states or states in decline? Was it, in other words, incompatible with centralized government or vigorous administration? Or was it, conversely, a device which aided state-formation by providing rulers with otherwise inaccessible reserves of working capital?

TAX FARMING IN THE OTTOMAN EMPIRE

Both the Ottoman and Mughal systems were variants on standard practice throughout the Muslim world going back to the early Arab conquests when members of the army were given the right (*iqta*) to extract tax from given areas rather than wages.[4] Although ownership theoretically remained with the ruler, the holders of the privilege (*muqta*) tended to become hereditary until there was a real danger that what was originally a "tax" would become "rent", weakening the state as power gravitated into private hands. (*Cambridge History of Islam:* 1970, I, 533; Wickham, 177)

Also operating on the principal that all land belonged to the sultan, Ottoman rulers ordained that peasants should pay no rent, only tax to the state (the *miri* at ten percent of production). Although the state therefore preferred to see taxes collected by officials (*emin*), its increasing need for revenue, together with problems of transportation, storage and conversion to cash at a time when most peasants paid in kind, led to tax farming, particularly in colonized areas (Inalcik: 1955, IV, 221-22; Shaw: 1976, I, 60, 121; Owen: 1981, 11-12). But as Owen (1981, 11) suggests, "the amount of tax actually taken depended on the power of the tax-collector and his relationship with both government and peasants".

The system was also applied to leases on state enterprises or installations including customs revenue, anchorage and weighing fees, stamp duties, brokerage and dye-house charges, commodity taxes and monopolies on items such as salt, soap and candles. Even the *jizya*, the tax on non-Muslems, was promptly farmed out. (Shaw: 1962, 151 and 1976, vol. I, 60; Babinger: 1978, 451-2; Faroqhi: 1984, 141). All of Egypt was apparently tax-farmed. Soldiers stationed there were initially offered tax rights for a fixed purchase price of 9 1/2 times the anicipated surplus left after a fixed amount had been delivered to the treasury. If they failed, they could be deprived of their tenure or tortured (Shaw: 1972, 31-4). In other areas, the army was put on salary and the taxes farmed out to civilian bidders.

In what has, perhaps legitimately, been viewed as a feudal practice, conquered areas including Southeastern Europe were initially divided up into military *timars* with soldiers expected to settle down, help maintain order and deliver a set sum as tax to government officials or higher ranking military personnel who themselves had been been assigned a "livelihood" (*dirlik*) in return for local responsibilities, as well as supervision of tax collection (Inalcik:1955, 221-2; Shaw:1976, I, 60). Although the *timar* "fiefdoms" were never abolished wholesale, apparently persisting into the nineteenth century, rulers in desperate need for funds began to convert them back to "crown lands" which could be administered by important officials or auctioned to wealthy civilians on a purely financial basis. (Lewis: 1961, 31; Kunt: 1983, 9-12, 80, 96).

As it turned out, private entrepreneurs were not always able to collect what was owed unless they hired mercenaries or were themselves armed (Wickham, 177-80). But, increasingly from the state's point of view, this meant someone loaded with money, usually the resident of a larger town or city with large supplies of cash earned from trade and assorted credit operations (Owen, 13; Inalcik: 1980, 331). Faced with mounting debts and inflationary pressures (Barkan: 1975, 24-5) and needing a permanent source of revenue which could be reassessed on a yearly basis, tax-farming was a quick fix.

In fact, the situation in the sixteenth-century Ottoman Empire seems analagous to Europe in a number of ways. This was a time when, lacking a reliable bureaucracy, state income could only come through tribute (or confiscation), head taxes and dozens of minor exactments, or by the debasement of coinage. By paying all or part of the expected take in advance, tax farmers -- indeed Barkan (1975: 24-5), showing the influence of the European experience, refers to "farmers-general" -- served as a "credit agency" at a time when the country lacked public financial institutions.

When the system was put into operation in Anatolia in the late sixteenth century, tax farming privileges (*iltilzam*) were sold by auction for only a limited three year period to individuals (*multazim*), even then largely from military backgrounds. These entered into what can realistically be described as a contractual relationship with the state. They paid a large sum up front and promised to make periodic instalments (anything from monthly to yearly) on carefully stipulated terms which seem to have included an agreement that the *multazim* keep for himself, in return for his services, all revenues in excess of the ruler's fair share. However the state claimed a right to intervene on proprietary and paternalistic grounds. (Inalcik: 1980, 327-34).

The main problem with farming in the Ottoman Empire seems to have been one of selection. Whoever farmed taxes needed to be a person of some authority, if not a soldier in the sixteenth century then a man with troops at beck and call. But if such individuals turned out to be too powerful, they also endangered the state (Owen,13). Nevertheless, as the years went by, the government's own need for revenue together with an understandable desire to avoid local conflict gave middlemen ever-increasing power. In the time of Suleiman the Great, whole provinces were, in effect, tax farms with the governor permitted to keep whatever was left after he had paid the sultan (Shaw: 1978, I, 89). By the end of the sixteenth century, the Ottoman state was in such need of ready cash that it was willing to make whatever concessions were necessary to the *multazims* (Inalcik: 1980, 330).

Just what this means in socio-economic terms is debated. Inalcik (1964, 44) has argued that in the Ottoman Empire, taxation was "the most important factor in determining the subject's status". Indeed he regards the emergence of tax-farming elites as one of the most-important developments in Ottoman history after 1580, since this "new class" replaced many established, clerical (*ulama*), families in importance: "the acquisition of an *itilzam* in any of the provinces usually meant a spectacular rise for its holder, literally from rags to riches and prominence" (Inalcik: 1980, 332). With changes to land-tenure arangements between 1595 and 1610, many holdings were made lifetime (and then hereditary) until the tax-farming process only reaffirmed existing social status, political influence and economic clout enriching both the wealth and political power of this new social group (Inalcik: 1964, 44-8; Owen, 18-23; Islamoglu & Caglar: 1981, 313).

Although tax-farmers were to have been closely supervised by officials not materially involved in the auction or collection, collusion (Owen, 80-81) and other forms of corruption occurred. Mining monopolies were being granted for life by the end of the seventeenth century (Faroqhi: [VI], 155-7) and even judges reputedly leased out their own jurisdictions (Inalcik: 1972, 341-2). All but those on the very bottom sub-contracted, accelerating the overall process of decentralization and fragmentation. (Inalcik: 1980, 329; Faroqhi: 1984, 299-301).

As years went by, the "notables" (*ayan*) who arose through the lease of government lands and tax-farming arrangements formed the core of a growing landlord class. With continued weakening of the central power, the possessors of the larger estates have been described as "feudal lords", "local potentates" and "sultanates". (Inalcik: 1964,44-8; Owen: 13, 33-4; Faroqhi: [IV], 322). Members of this landed aristocracy apparently felt strong enough in 1808 to demand a charter from the sultan (Inalcik: 1955, 224-5).

Hershlag (1964: 9-11, 16) claims that the *multizam* system, as it enfolded in the seventeenth century, reduced peasants to virtual serfdom and compares events to the later days of the Carolignian Empire when similar devolution gave too much power to feudal lords. Keddie (1981, 771) views tax farming as oppressive. It has also been said that tax farming weakened the Ottoman Empire (Hershlag: 1964, 25-6) and contained within it the "seeds of ruination" (Inalcik: 1972, 341).

When viewed from the top down, it seems quite clear that revenue farming in the Ottoman empire, like similar operations in Europe in the seventeenth century, was an early form of deficit financing with the government, in effect, borrowing in the market (Ashton: 1960; Hansen, 502). There is probably truth to the proposition that as the empire reached its geographical limits, there was a need to pay off its large standing army in some manner (Turner: 1984, 35) but privatisation of tax collection, open civilian tendering, originated because the state needed ready money in case of war.

Mardin (1969: 263), accepting Weber's argument that such prebends hindered the growth of capitalism, insists that "men who had been granted title in perpetuity preferred, after the seventeenth century, to bid for tax-farming privileges rather than to modernize agriculture or their holdings." When the economy stagnated, these rights could be far more profitable than trade. There certainly seems no question that the system offered advantages for anyone with liquid capital.

Owen (13, 18, 22-3) is more sceptical of the applicability of any "oriental mode of production" model maintaining with Faroqhi (VI: 322) that the larger tax farms encouraged the transition to commercial agriculture and may well have eased the integration of the Ottoman empire into the capitalist world economy (Islamoglu & Caglar: 1981, 314). Wealthier traders benefited by providing loans to tax farmers who sometimes helped corner the market and, in any case, established a definite "economic relationship" with peasants by advancing credit themselves to those whose crops they eventually purchased and taxed.

In some cases this may only have been a form of speculation, but Owen nevertheless claims that from the early 1800s, *multazims* in Anatolia readily made "connections" with urban "capitalists" and were not at all reluctant to enter the production process themselves, lending money, selling crops and even determining what was planted. However it is suggested that most tax farmers were simply "short-term maximizers" who used their privileges as collateral (Hansen: 1981, 502; Islamoglu and Caglar: 1981, 312-13) . It does seem probable that as long as tax-farming was highly profitable, it may well have drained away private capital from other entrepreneurial activities.

The state was, however, always aware of the centrifugal forces and the potential danger. Whole communities, including Christians in Anatolia in the seventeenth century, were encouraged to pay directly to the state in cash (Inalcik: 1980, 333-4). A "new treasury" was set up in 1793 (side by side with the "old") to oversee tax farms and take them over when contracts ran out allowing some tax farmers to be "pensioned off". And there were moves to abolish the practice altogether in 1789 (Hershlag, 27), 1839 (see below) and 1856 (Chambers: 1964, 313-4). As Owen (p. 60) observes: "if the state was to try to maximize its own receipts it had either to institute a system of direct taxation by government agents or to find ways and means of forcing the tax-farmers to disgorge more of their profit."

The imperial rescript of 1839 (cited Lewis, 379) noted:

> A fatal custom still exists although it can only have disastrous consequences; it is that of venal concessions, known under the name of "iltizam". Under that name the civil and financial administrators of a locality is delivered to the passions of a single man; that is to say, sometimes to the iron grasp of the most violent and avaricious passions, for if that contractor is not a good man he will only look to his own advantage.

Yet, within two years, the liberal reforms had come undone and governors were again instructed to utilize tax farmers.

As might have been expected, there was resistance from entrenched elites. But a more fundamental problem was the continuing weakness of the state infrastructure. There were simply not enough trained or trusted bureaucrats to replace the *iltizam* network which penetrated into every village. (Inalcik: 1964, 61; Shaw: 1976, II, 40-1; Findley: 1980, 161-2; Lewis, 378-80) Indeed elements of the system remained in place until the end of the first world war.

Paradoxically, the state's fiscal independence was actually enhanced in the early 1800s by the licensing of new monopolies and, in yet another indirect means, taxation through urban guilds. (Owen, 58-62; Hershlag: 27, 80; Inalcik: 1969). With the introduction of these and other alternative sources of taxation, and now under greater influence from a more-modern Europe, the Ottoman state began to exercise much more supervision. It attempted to increase its cut, particularly in Istambul and parts of Anatolia where the customs revenue, for example, was auctioned for higher and higher competitive bids. Things were more difficult in Syria and Egypt, or other places where central authority tended to be weak, forcing the government to continue to sell *iltizams* to wealthy townspeople or local chiefs but for shorter periods and, when the reforms worked, to the highest bidder. (Inalcik: 1964, 56; Owen: 77-81, 105-8, 163, 194-99; Shaw: 1976, II, 96-98)

REVENUE FARMING IN INDIA

How widespread was revenue farming in India? The answer to this question turns, in part, on how we define the Indian state. Older writing on this subject tended to take an absolutist view based on European notions about the indivisibility of sovereignty; according to this view paramount empires like those of the Mughals and Marathas were supreme, in name and fact, right down to the village level. More recent scholarship, however, has questioned this interpretation both on empirical and conceptual grounds: it has been suggested that the pre-modern empires exercised supreme power only in the vicinity of fortified towns and along main roads; and that elsewhere they formed only the topmost layer of political authority in the country (e.g. Cohn: 1962 and Heesterman:1976). Conversely, it has been shown that the rural aristocracy, Hindu and Muslim, exercised in its own domain many of the attributes of formal kingship.

For instance the Bengal *zamindars*, though technically agents of the state, behaved in many respects as independent rulers, borrowing the nomenclature, forms and ceremonies of the Mughal court.

> Zamindars sat on a throne (*masnad*); they held an annual *punya* similar to the one conducted by the Mughal governor at Murshidabad, which was a ceremony to which the chief subordinate revenue payers came to make commitments and theirinitial payments for the new revenue year; they collected their rents or revenue at a "*sadr katchari*" or central revenue office, just as the Mughal government was "sadr" in relation to the zamindars . . . ; they collected revenue through officers called *diwan*[s]...and *amils* (agents), again using the same terms as the Mughal governor. (McLane,p.20)

Like other rural magnates, *zamindars* maintained large forces of armed retainers and played a primary role in keeping the peace. Symbolically, and in practice, they deported themselves almost as little kings.

But the answer also depends on how one defines revenue farming. If the essential element in revenue farming - as the name would seem to imply -- is the employment of intermediaries, other than paid officials, then it was, at least in pre-modern times, the dominant method of tax collection.

Broadly speaking, direct village assessment (*mahalwari*) or collection from the individual cultivator (*raiyatwari*) occurred only in the *khalsa* (crown) territories closest to the state capital and then only in periods of strong government. Elsewhere, recourse was had to the local gentry -- a heterogeneous class composed of the offspring of former kings, the heads of lineages, successful adventurers and military assignees. Where its authority was weak -- notably in frontier zones -- the state contented itself with extracting an annual tribute (*peshkash*) from as many of the land-controllers as it could manage to coerce; where it was stronger, it entered into more formal arrangements with them: issuing *sanads* (charters of appointment) to particular magnates authorising them to collect a fixed amount of land revenue from the *parganas* (districts) under their control. Those who accepted the contract were designated, somewhat confusingly, as *zamindars* (from the Persian word for "landholder") - and allowed to keep a *nankar* (share) of the revenue (normally 10 percent) for their trouble.

In its heyday the *zamindari* system was strictly controlled by convention and regulation. Although *sanads* were ordinarily issued for life, and often renewed with sons on the death of their fathers, this was entirely at the discretion of the ruler and conditional on the former incumbent having proved loyal and efficient; the title was not, in theory, inheritable, nor transferable to third parties by gift or sale. Secondly, the office bestowed no proprietory rights over the land itself which remained the property of the resident cultivators. Thirdly, most *sanads* carried terms which precluded the *zamindar* from taking more than a set proportion of the produce. For example when the English East India Company acquired, in 1698, zamindari rights over the three villages of Kalikata (Calcutta), Govindpur and Sutanati, it was forbidden to collect more than three rupees per *bigha* of land from the peasants. In terms of the population then residing in the area, this translated into a sum of about 1400 rupees annually -- which left the Company a small profit after the state's share (amounting precisely to 1,194 rupees, 14 annas and 11 paise) had been taken out.

During the eighteenth century, however, the system underwent some significant structural changes. As the above example shows, newcomers with no attachment to the land started to acquire *zamindari* rights by purchase -- in the East India Company's case, for an outlay of Rs. 1500; larger *zamindars* extended and consolidated their holdings by preying on weaker neighbours; and the revenue-collecting rights attached to the office become, to all intents and purposes, hereditary.

When, in 1765, the Company was appointed by the Mughal Emperor Shah Alam to oversee the *diwani* or revenue administration of Bengal, Bihar and Orissa (becoming, in its own right, a super-zamindar!) it found in place a revenue system dominated by about fifteen huge *zamindaris*, the biggest of them, Burdwan, covering some 4800 square miles.

Rightly distrusting the power and privileges of these great intermediaries, the British at first tried to circumvent them by cancelling their *sanads* and auctioning off their rights to outsiders. But after about ten years, the Company was forced to go back to the former system. In 1789 it made a decennial settlement with the *zamindars*; and in 1793 the arrangement was declared permanent. Thereafter, until the end of British rule, and indeed for several years after that, revenue collection in eastern and parts of southern India, where the "Permanent Settlement" was introduced between 1801 and 1807, took the form of a fixed, unvarying levy on about a hundred hereditary intermediaries.

The *zamindari* system was clearly a ubiquitous feature of both pre-modern and colonial India. But was it a system of revenue-farming? Several scholars have implied as much. Doyen of Indian economic historians, W.H.Moreland reckoned that from a purely fiscal standpoint the roles of *zamindar* and tax-farmer were virtually interchangeable. More recently B. B. Misra (1970, 413), describing the Mughal apparatus of government, has written that "the zamindar or revenue farmer did the policing in his area as the subordinate instrument of a larger system". Nevertheless, while the zamindari model seems to share some common features with the tax-farming model -- notably the element of privatisation -- it does not conform with it in all respects. A closer approximation to what we may call "classic" revenue-farming was the system of sub-contracting collections that flourished at the subordinate or sub-statal level.

As we noted in discussing the Ottoman empire, it was the common practice of Islamic regimes to alienate revenue for the maintenance of the military aristocracy. Again, one can argue about whether this was tax farming, since the revenues so alienated were pocketed wholly and solely by these *jagirdars*, none going to the state. But there is another side to the *jagir* system which must be considered in this context, and that is the mechanism by which the jagir-holder realized what was due to him for his maintenance. Although the *jagirdars* were, by definition, commanders of powerful military forces, they generally lacked the local knowledge which was an essential ingredient of revenue collection; likewise, they were often away from their *jagirs* fighting for the emperor, and did not have enough time to devote themselves methodically to this complicated and tedious work.

Thus from the start, many *jagirdars* preferred to farm out their holdings on fixed term contracts. However the device of "sub-farming" was greatly accelerated by the currency inflation of the late seventeenth century, which rendered existing *jagirs* less profitable, and by an insufficiency of *khalsa* land for new assignments. The "agrarian crisis", as it has been called, (Habib:1963 and Athar Ali:1979) made it almost impossible for the *jagirdars* to extract enough money from the peasantry to keep up the cavalry contingents required by their rank; so they turned, in desperation, "to bankers and speculators from the cities". (*CEHI*: I, 178) In North India this practice of "sub-farming" was mainly known by the Arabic term *ijara*, though in Bihar the word *thikadari* was also employed; in Western India, under the Marathas, it was generally called *makta* (a corrupt form of the Sanskrit, *makshta*) but other terms -- *ijara*, *gutka* and *khoti* -- were used interchangeably to describe similar arrangements. (Siddiqi: 1970, 91-2; Wink: 1983, 603; Mitra 1985: 71)

It should not be thought that "sub-farming" was a phenomenon peculiar to the eighteenth century or that it began and ended with the *jagirdars*. Such evidence as we have suggests that this was the standard practice throughout pre-modern India, except, as noted above, in those limited areas where states were strong enough to bring in a *raiyatwari* assessment. Moreover, recent detailed investigations of the revenue-collecting system in Nawabi Bengal show that there could be several levels of farming involved. Ratnalekha Ray ((1973: 289) found at least three intermediate layers formally acknowledged in the contemporary literature:

> A zamindar of a large district, having made a settlement with the government, farmed his zamindari in ijaras to several sadr [chief] farmers called *mustajirs* and *ijaradars*. These again made over their leases in whole or in part, to renters of inferior denominations in a descending order down to the revenue-farmers of the villages (qutqinadars) who were given the charge of collecting the revenue from the village establishments of the zamindari. If we look at this same hierarchy from the other end of the scale, the cultivator paid the revenue, in the first place, to village officers manning the village establishments of the zamindars. They in turn paid to a qutqinadar or a small local renter of perhaps two or three villages, he to a farmer of a taraf or a division comprehending several villages and so on through farmers of a pargana to the zamindar.

This was nothing, however, compared to the sub-infeudation which took place in the nineteenth century as a consequence of the *zamindari* titles becoming transformed into property rights: in some districts, by the end of the century, as many as 180 middlemen stood between the state and the cultivating "proprietor".

Again we must pose the basic question, is this tax-farming? The answer hinges on whether one observes the conventional distinction between "tax" and "rent". Strictly speaking, the collections of the under-farmers should be considered as rent, because they were paid to other intermediaries -- "landlords" in British Indian parlance -- rather than to the state. Moreover, under the British Raj, the distinction had a financial bite to it since the state's share of the produce was fixed by legislation while rents tended to rise in response to market forces. Nevertheless, it seems absurd to argue that money that was destined to end up in the coffers in the state should not be designated as tax. After all, it was the cultivating proprietors -- the "peasantry", not the speculating *zamindars* -- who generated the wealth that provided the state with its income. Indeed it was only in the West, as Marx and other commentators have observed, that the distinction between tax and rent has acquired legal force; elsewhere, and especially in the Islamic world, the ruler was regarded as having the rights of a supreme landlord, and, concomitantly, the right to a fixed share of everything that the land produced.

The arrangements described above constituted the typical or dominant forms of tax collection in the Indian Subcontinent. Additionally, at various times, something very close to the "classic" Western model of tax-farming prevailed. For instance, *ijara* or general farming was widely used by the Delhi Sultanate (1206-1526), by the Bahmani Sultanate and its successors in the Deccan (1398-1658), by the Maratha Kingdom after 1684, and by the later Peshwas following their crippling defeat at Panipat in 1761. More sparingly, it was employed by the Mughal Empire --

particularly during the eighteenth century. Indeed one scholar thinks that "as the century wore on the practice [of revenue-farming] became the most dominant feature of the land-revenue system of the Mughal Empire". (Siddiqi: 1970, 92.) Finally, and perhaps most interestingly, it was taken up in a big way by the British after they acquired revenue rights in Bengal.

When the East India Company took over the twenty-four Parganas around Calcutta in 1757 and the districts of Burdwan, Midnapore and Chittagong in 1760 it auctioned off its rights there to the highest bidders for three years. Later, following Warren Hasting's decision to set aside the Nawabi government and administer the *diwani* directly, the Company put all the revenues of Bengal, Bihar and Orissa out on farm for a term of five years (1772-1779). Farming of land revenues also occurred during the late eighteenth century in the territories controlled by the Governments of Madras and Bombay, and continued into the third decade of the nineteenth century in parts of the North-West Provinces. Thereafter, the practice ceased in British India but it survived for upwards of another fifty years in the princely states. (McLane, 26-7, Ray, 285, Stein: 1969, 202; Siddiqi, 114; Wink, 628 and *CEHI*: II, 189, 225)

Though far and away the biggest source of governmental income, land revenue was not the only thing farmed. Under the Delhi Sultans the collection of the *jizya* or poll-tax on non-Muslims was sub-contracted; in Bengal under the Nawabs, the *zamindars* entitlement to transit duties, presents and marriage taxes were farmed out; and under Peshwa Baji Rao II even food supplies to the palace were auctioned off to the highest bidder. More significantly in money terms, the list of items regularly farmed also included, in Bengal, the sea customs and the traditional royal monopolies over salt and opium -- and here again the British initially respected the current practice. For instance, the Company farmed out its rights over the production and sale of salt in Bengal from 1772-1788 and in Madras until 1805; its Bengal opium monopoly from 1773-1799; and the Bombay sea customs between 1827 and 1845. (Wink, 621; Banerjea: 1928, 136, 189, 192, 199, 201, 218-9 and Banerjea: 1930, 252-4)

Unlike the arrangements with *zamindars*, contracts with farmers were of limited duration, up to a maximum of ten years. While *zamindars* were selected, farming contracts were normally bid for at public auction. Yet a third difference between the two systems was that the farmers, unlike the *zamindars*, were ordinarily required to furnish security for the revenue demand and were sometimes obliged to pay the full amount in advance (Misra, 172; Wink, 603). Otherwise they were not dissimilar. Both could involve an element of bargaining about terms and conditions; farming contracts, like *zamindari sanads*, often required the holder to look to the welfare of the peasantry; and in eighteenth century Maharashtra, at least, the *zamindars*, or *deshmukhs* as they were locally known, were frequently hit with demands for sureties (Wink: 597, 605).

Moreover, if one adopts a synchronic rather than a structuralist approach to the evidence, it soon becomes clear

> The widespread practice of *ijara* hardly left any room for the regular servants of the State who were employed for the detailed assessment and collection of land-revenue. It meant a loss of jobs to a class of people who had specialized in the work of land-revenue administration and at the same time it marked the complete breakdown of the administrative machinery at the *pargana* level which had been assiduously built up by the Mughal emperors since the days of Akbar. The practice of *ijara* also resulted in a loss of revenues to the public treasury. The intense exploitation of the peasantry coupled with unstable agrarian conditions brought ruin to the cultivator and the villages were deserted....To conclude, the practice of *ijara* brought ruin to those who had some interest in land and resulted in the progressive loss of revenue to the public treasury. Those who were responsible for it were traitors to the sovereign, to the State and to the people.

Characteristically, Siddiqi assumes that all the farmers were outsiders with no interest in the land -- an assumption that, as already explained -- is not wholly correct. Moreover, if he is right in what he says, the picture cannot have been one of unrelieved misery, since at least one class -- the farmers -- were evidently doing very profitable business. But there is now a mass of evidence which challenges head on the theory that revenue-farming was consistently harmful to the interests of the state and the welfare of the the cultivators.

Let us begin with the state. While it is true that revenue-farming represented, in the last resort, a compromise with local power, and while most rulers would have preferred, given an abundance of officials with the requisite expertise, to have dealt directly with the peasantry, it would not be correct to deduce from this that farming was an inefficient means of realising the revenue. At least under the British and Maratha system <u>of</u> public auctions, where something like open competition prevailed, bidding was determined ultimately by market forces -- that is to say, the farmer's calculation of what the farm was capable of producing; thus, so long as the farms were renewed regularly, say every three years, the state could hardly lose. Indeed, one of the criticisms of farming by the "gloom and doom" school is that the practice of competitive bidding forced "prices" up to quite unrealistic levels, impoverishing the peasantry. As we shall see, the latter point does not necessarily follow, but the available evidence does support the conclusion that bidding pushed up the state's return.

For instance, between 1582 to 1722, the land tax receipts from Bengal rose by approximately 0.2 percent a year; between 1760 and 1763, under annual farming, they increased by 6 percent a year (McLane, 28). And a further substantial hike took place with the introduction of the five year settlement of 1772.

Again, farming gave the state a secure, fairly predictable revenue during the term of the farm, relieving it of the risks associated with a fluctuating agrarian output. Better still, it provided money up front, at very low cost (the usual rates were 1-1/2 percent a month as compared to commercial rates of 12 percent and upwards), which could be used to fund expensive state projects such as military campaigns. In this context, as Wink points out, farming was especially useful as a method of raising revenue from newly-conquered (and hence, potentially restive) areas, and as a "means to restore areas which had fallen behind their normal productivity, yet were not totally ruined" (Wink, 607). Finally, farming was far and away the most convenient and economical method of raising taxes, useful if the state was temporarily distracted or embarrassed, indispensable if, like the English East India Company in 1760, it was new to the job. As the Company's Revenue Committee minuted frankly in 1772: "There is no doubt that the mode of letting the lands in farm is in every respect the most eligible. It is the most simple, and therefore the best adapted to a government constituted like that of the Company, which cannot enter into the detail and minutiae of the collections". (Quoted in Banerjea: 1928, 135)

Farming was by and large, then, an efficient system. Was it, nonetheless, politically costly? Did farming rights represent, as W. H. Moreland believed, "obstacles in the way of detailed control" (Quoted in Wink, 613). Was farming, as Siddiqi has alleged, concomitant with the breakdown of central administration?

There are three points worth making here. The first is that tax farming, no less than the *zamindari* system, involved reciprocity. When it created a farm, the government effectively abdicated a portion of its sovereign rights over the land, and to some extent also its physical control over the peasantry. However it acquired a compensating control, by virtue of its patronage, over the farmers. Embodying as it did an element of privilege as well as profit, a farming concession created a bond of obligation; in addition, it associated the receipient publicly with the state. Therefore a network of such arrangements, far from weakening the central authority, could, properly supervised, serve to strengthen the state's hand by securing for it "the efficient support of. . . . rich and powerful people". (Misra:1970, 413)

The second point is that tax farming, which involved only a temporary alienation of the state's rights over land, was, to that extent, a substantially more centralized form of revenue collection than the *zamindari* system, which involved a lifetime or longer assignment, and a potentially far less damaging one, from the viewpoint of state authority, than the prebendial *jagirdari* system.

The third is that farming did not, by any means, involve a total abdication of sovereignty. What the farmers got, when they took up a concession, were limited rights over the produce: they acquired no proprietory interest in the land; and they were often obliged, as we saw earlier, to take measures to stimulate productivity. Thus, revenue farming was not, in principle, detrimental to the interests of the state. But what of the interests of the peasantry?

As noted above, most writers assume that the system led to oppression. We are told that "The farmers oppressed the people in many ways and burdened them with various taxes", (Banerjea: 1928, 173) that revenue farming and associated "corruption" "resulted in depressing cultivation and desertion of the peasantry over large areas", (Mitra, 73) that the revenue farmers "frequently extracted so much from the peasants that they gave up cutivation when they could" (*CEHI*, Vol.2, p.182). Nor is it difficult to find evidence for this hypothesis. The accounts of contemporary European travellers, from Manucci onwards, are replete with stories of tax farmers employing torture to extract money; and these are confirmed to some extent by the reports of British administrators. Of the methods of the Peshwa's farmers Mountstuart Elphinstone wrote in 1818:

> If a ryot refused or was unable to pay his revenue, the *sebundy* (revenue-collecting peon). . . confined him in the village *choky* (lockup), exposed him to the sun, put a heavy stone on his head, and prevented his eating and drinking until he paid. If this did not succeed, he was carried to the *mamlatdar* (or chief native officer of a district - in the farming days the farmer himself, probably), his cattle were sold, and himself thrown into prison or into irons. (Quoted in Misra,1970,p.466.)

Other sources from Bengal speak of the peasants being assaulted with bricks and switches, being stripped naked and exposed to the weather, and being thrown into pits filled with human excrement (McLane, 24).

Similarly, the early British records contain copious references to the desertion of farmed villages. In Bundelkhand, 37 villages were said to have been "ruined by revenue farmers", (Siddiqi:1973, 127) while in Maharashtra, Elphinstone found that about 7 percent of all the *khalsa* lands had been abandoned (*CEHI*, Vol.2, 182). And if this is not enough there is some telling statistical evidence: Table I below shows the amounts bid, and the amounts realised, under the quinquennial farm of Bengal from 1772-1777.

Year	Amounts Bid	Amounts Collected	Balance
1772-3	Rs.28,565,622	Rs.27,035,681	Rs.1,529,941
1773-4	29,403,008	27,180,260	2,222,748
1774-5	29,278,642	27,879,459	1,399,183
1775-6	28,895,298	27,319,272	1,575,980
1776-7	28,731,330	26,420,146	2,311,184

(Misra: 1959, 180)

It can be seen that there was in every year a significant shortfall, due, as Warren Hastings belatedly acknowledged, to "the farmers having engaged for a higher revenue than the districts could afford" (quoted in Misra:1959, 180).

Nevertheless we should we wary about drawing conclusions on the basis of this evidence. As has often been remarked, British sources from the early nineteenth century are not a very reliable guide to what was happening in the Indian countryside because they were base on insufficient data and because their authors were concerned to paint the worst possible picture in order to justify the British intrusion. But even if the British officials were right about the scale of village depopulation, it does not follow that revenue farming was the major cause. The eighteenth century, when farming was at its height, was also a time of chronic upheaval: of palace coups and dynastic wars, of rapid economic change, consequent on the activities of the European trading companies, and, towards the end, of widespread famine. Compared to these factors, farming can have had, at best, only a marginal impact. In fact, it is doubtful whether the abandonment of villages signified very much in the pre-modern period, when there was a land surplus but a deficiency of labour to work it, and peasants habitually moved about seeking better terms of employment. What would be significant would be evidence of entire regions relapsing into jungle; but this seems to have occurred, in the eighteenth century, only in a few areas (such as Khandesh) and then for a relatively brief time. (Gordon: 1977) Even Elphinstone's enquiries into the condition of the Deccan, which led him to propose the immediate abolition of Baji Rao's annual farms, revealed that, farming notwithstanding, the region had become "very populous and prosperous". (Proclamation of Feb. 1818, quoted in Wink, 594)

Again, the statistical picture given for 1770s Bengal is open to more than one interpretation. In so far as there was a shortfall, the burden fell first and foremost on the defaulting farmers, most of whom had borrowed heavily from bankers to meet their contractual obligation to furnish an advance on the government revenue and were now saddled with a crippling debt. Moreover, recent research has suggested that it may not have been as easy as was once thought for revenue-collecting intermediaries, whether farmers or *zamindars*, to fleece the cultivators of their hard-earned surplus. The peasants could resist, or abscond, or conspire with village officials to hide the true extent and value of their holdings; indeed, farming may have actually increased the opportunites for collusion by accelerating the turnover of intermediaries, newcomers being more vunerable to deception. Thus, it is risky to try to quantify the economic impact of tax farming on the basis of what was bid or even on the strength of what was "collected", since the latter was to a large extent speculative money advanced by urban financiers and grain-dealers on the security of the harvest.

All in all, then, we are entitled to conclude that revenue farming in India not deserve its evil reputation. It might be stretching matters to assert, as Wink does, that farming often "produced the desired effect of restoration and extension of cultivation", (Wink, 625) though this seems to have happened in some cases.[6] Likewise, it would be silly to argue that farming was generally benign: no tax system is that! But neither did it produce the devastation and misery that some historians have claimed.

CONCLUSION

Generalisations about the operation of revenue farming in South and Southwest Asia are fraught with difficulty. Farming took a wide variety of forms, each of which, it can be supposed, had a different impact on the flow of revenue to the state and on the local economy. And although our analysis has focused on the institution at large rather than on particular situations, it is safe to say that the impact of farming was also determined by the quality and outlook of the individuals involved. Nevertheless, several points can be made by way of summary.

The first concerns the spread of revenue farming. In the broadest sense of privatisation, farming was a prominent feature of tax collection in the early-modern empires of South and Southwest Asia and to some extent also figured in the fiscal arrangements of the British Raj. Thus it should not be seen, as it has by Siddiqi and others, as a kind of administrative aberration, but rather as a regular, highly organized system situated firmly in the historical mainstream. A second point, closely allied to the first, is that tax farming was, in general, a fairly efficient means of extracting the state's share of the agrarian surplus. If it had a financial flaw, it was the competitive aspect of bidding, which tended to push up the state's return in the short term at the cost of administrative stability and, consequently, may have diminished the revenue over the long run. But as a "quick fix" -- as a device to raise large amounts of cash in a short time and with a minimum of fuss -- it had no peer, particularly in periods of rampant inflation.

Politically, too, farming seems not to have been as risky an ndertaking as some scholars have asserted though the danger of reeping feudalism" on the periphery was real enough. Both toman and Mughal courts fretted about the loss of sovereignty, s well as potential revenue, and periodically took steps to otect imperial rights; however "prebendization" -- if that is deed the correct term -- also worked to the state's advantage, eating a landed gentry in Bengal and Anatolia for example, ose own socio-economic interests were closely related to the eservation of the political system. Tax-farmers might demand at they saw as their hereditary due, as they did in the Ottoman ire into this century, but this was not *ipso facto* a challenge authority. Indeed tax farmers seem unlikely, in any society, attempt a *coup d'etat*.

What light does these findings throw on to the questions sed at the beginning of the paper? At first sight it seems d, given the above to sustain an argument that tax farming contributed to the erosion of state power. Indeed it seems, in some contexts, to have underwritten the centralizing tendencies associated with the rise of nation-states. Schumpeter proposed earlier this century that "fiscal demands are the first sign of life of the modern state" (cited Braun: 1975, 243), and more recently Ashton (1956, 313) has written that farming gave the emerging nation-states of Western Europe a "remarkable system and technique for borrowing" that enabled them, amongst other things, to build up large, well-equipped professional armies. There now seems no question that, in the European case, farming as an expression of the state's need for enhanced revenues, (no doubt compounded by the extravagance of rulers) helped produce the "tax state" we now accept as a fact of life.

However the evidence from Asia is more ambiguous. The Ottoman Empire at its zenith in the sixteenth century -- by any definition a strong state -- utilized tax-farming to meet its vast financial commitments. But revenue farming seems also to have proliferated under "weak" or "declining" states: for example, the Mughal Empire in the eighteenth century, the Ottoman Empire in the nineteenth century, and the Maratha confederacy in the reign of Baji Rao II. Indeed in eighteenth-century India, revenue farming was employed both by states in decline (the Mughals, and later the Nawabi government in Bengal) and by states in the throes of expansion (the East India Company, Mysore, and the Maratha Empire). While farming was widely employed by the English East India Company, particularly in Bengal, it fell into disuse during the nineteenth century as the British consolidated their territorial dominion and extended their administrative control to the village level. Likewise the abolition of farming was one of the first administrative changes effected by the modernizing regime of Kemal Attaturk which came to power in 1922.

All this would seem to support the thesis that farming represented a transitional stage. But in which direction? Although the rise and fall of farming and the rise and fall of state power appear to be related, it is difficult to establish a precise causal connection between them. Can an institution be simultaneously a sign of growth and a symptom of decay?

Paradoxical through it may seem, the answer is "yes". The efficiency of farming as a revenue-extracting mechanism depended on who was involved, the nature of the contractural arrangements entered into by the farmers and the ability of the state to hold them to their obligations. A strong state could do this, whereas a struggling one invariably lost both revenue and authority. Similarly, the impact of farming on the the tax-payers and on the economy depended on the expertise and ruthlessness of the individual farmers, on the opportunities for evasion open to producers and consumers, and ultimately, on the bounty of nature. Thus the mere existence of revenue farming cannot be said to exemplify any particular stage of bureaucratic evolution or degree of "stateness". Tax farming as a system is compatible with almost any form of political organisation from the feudal to the totalitarian, and, as we have seen, flourished under both strong and weak regimes. What was significant was the **type** of farming arrangement employed and the **quality** of its management by the state. Broadly, we might say that farming opened up a range of administrative possibilities which only strong governments could exploit to their full potential. If such regimes could command sufficient resources to deal directly with the producers (and in the case of indirect taxes, with the consumers), farming became redundant.

NOTES

1. Even the late-imperial Chinese who generally frowned upon tax farming and periodically campaigned against intermediaries, granted monopolies on salt and foreign trade and tolerated "proxy remittances" (*baolan*) or other middlemen including "tax captains", particularly during civil unrest or when the state was otherwise weak. Although beyond the scope of this paper, it is interesting to note that Muslim residents proposed farming to the Mongol invaders of North China, claiming that they could double the tax revenue. It is also said that the Taiping rebels farmed out taxes.

2. For an overview of the continuing debate, see: Hindess & Hirst (1975); Turner (1974 and 1978) and Bailey & Llobera (1981). See also the special double issue of the *Journal of Peasant Studies* on the applicability of "feudalism", vol. 12. nos 2-3 (1985).

3. Adam Smith argued that the "rent/tax" combination led to economic stagnation but accepted the idea that it was quite possible for a state to collect rent in private capacity and tax in its public capacity.

4. It has been suggested that the practice of granting *iqta* rights is actually based on Roman precedents . See Rabie (1970, 131).

5. Wink (608) provides the example of the conversion of the Deccan *parganas* of Van and Dinori in 1760 from *makta* to *kamavis*.

6. The ~~Ah~~medabad farm held by the Gaikwar of Baroda prospered so much between 1804 and 1814 that the Peshwa was confident of re-letting it for twice the 1804 figure (Wink, 620).

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NOTES ON REVENUE FARMING IN "HIGH QING" CHINA[1]

prepared for the Conference on Revenue Farming and South-East Asian Transitions to be held at the Australian National University, 30th June - 2nd July, 1988.

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Introduction

One does not immediately associate revenue farming with late Imperial China. Everybody knows that China was ruled by a large and anciently-established bureaucracy which was in principle salaried and had its own system of internal discipline. It was a real bureaucracy: one which might require any citizen to fill out forms (vicariously if illiterate), and one which considered itself capable of distributing welfare benefits (meaning famine purchasing-power supplements) to claimants, on presentation of entitlement certificates, in pre-prepared envelopes containing the exact amount due each family, calculated on the basis of the number of family members assessed as eligible for relief.[2] And everybody also knows that tax collection was one of the prime responsibilities of county magistrates.

A third piece of information that is, or by now ought to be, possessed by everybody is, however, that the traditional Chinese bureaucracy was underpaid. This was certainly true of the High Qing bureaucracy, except (at least to some extent) during the few decades after the fiscal reforms enacted by the Yongzheng Emperor in the 1720s. County *yamen* (official headquarters) staffs were large, typically comprising (besides the magistrate and his handful of junior colleagues) at least two private secretaries, some hundreds or over a thousand clerks, and a comparable number of runners, lictors, and other menials.[3] The non-clerical

1) The felicitous expression "High Qing" was coined by Frederic Wakeman, who saw it as covering the period from 1683 to 1839. The reigns involved were those of Kangxi (1662 - 1722); Yongzheng (1723 - 35); Qianlong (1736 - 95); Jiaqing (1796 - 1820); and Daoguang (1821 - 50). See id., "High Ch'ing, 1683 - 1839", in J.B. Crowley ed., *Modern East Asia: Essays in Interpretation* (New York, 1970), pp. 1 - 28.

personnel were in principle paid out of appropriations from the local taxes; the wages were however inadequate (<u>how</u> inadequate depending on the value of silver at the time), and it ~~was~~ had generally been necessary to take on supernumerary runners because the authorized establishments were set too low[4]. In view of the inelasticity of local budgets, it would not be surprising if at least some supernumeraries went unpaid. Clerks were apparently not paid at all: according to Ch'ü T'ung-tsu, the statutory allocations for their pay were eliminated in 1662 because of military expenditures, and never subsequently restored.[5] The purpose of the Yongzheng Emperor's celebrated regularization of the illegal land-tax surcharge known as <u>huohao</u> was to provide local and regional officials with the wherewithal to meet all the expenses of <u>yamen</u> administration, as well as financing a range of government activities including certain categories of public works. Pay for clerks and supernumerary runners at the county level <u>may</u> have been included.[6] The Yongzheng Emperor's reforms were however steadily eroded over the ensuing decades by a combination of inflation, gross fiscal conservatism, and the cumulative effect of gaps in revenue collection.[7] Thus by the early nineteenth century China once more had a system of local government which financed itself largely by "customary fees" plus outright corruption and extortion.[8] It did not have an army of paid functionaries implementing tax collection at the grass-roots level.

The great majority of government staff involved in local tax collection thus relied for their remuneration partly or wholly on non-statutory income from the tax-payers. Meanwhile, on a different plane, there was a small number of persons (élite Bannermen[9]; powerful merchants, some of them with connections

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2) See P.-É. Will, <u>Bureaucratie et famine en Chine au 18e siècle</u> (Paris, 1980) pp. 132 - 3. Source dated 1754.

3) Ch'ü T'ung-tsu, <u>Local Government in China under the Ch'ing</u> (Harvard, 1962) pp. 39 and 59.

4) Ibid., pp. 58 - 9 and 64 - 5. 5) Ibid., p. 45.

6) See Madeleine Zelin, <u>The Magistrate'S Tael: Rationalizing Fiscal Reform</u>

with the Manchu aristocracy going back to the pre-conquest period[10]) to whom the Imperial Court wished, or found it advantageous, to grant privileges which involved state revenue. Rather, therefore, than saying that revenue farming was basically not a mainland Chinese phenomenon, might it not perhaps be more accurate to say that the whole show was one big congeries of revenue farms? In order to elucidate this question, two things will be necessary: evidence and definitions.

For the purposes of this paper, tax farming will be taken to denote arrangements by which a party usually outside the state apparatus is assigned the right to collect and appropriate specified tax revenues in return for a fixed rent. Revenue farming is taken to be a broader term denoting arrangements by which such a party is assigned the right to exploit any revenue source claimed by the state, and appropriate the proceeds in return for a fixed rent. The rent may or may not be annual; the farm may be for a fixed term, indefinite within the lifetime of the farmer, or hereditary; and the agreed tenure may or may not be subject to satisfactory performance by the farmer. The farmer may or may not come from the commercial sector, may or may not be of the male gender (but will be assumed to be so where applicable for the purposes of the present paper), may or may not have acquired his farm by process of competitive bidding, and may be an individual or a syndicate. His appointment may or may not be seen as legitimate by the standards of the relevant political-cultural orthodoxy, but it must be the result of an agreement with a legitimate individual or collective representative of state authority having jurisdiction over the revenue source in question. The agreement must include a tacit or explicit understanding that the revenue will be appropriated by the farmer.

Note 6 cont'd.) in Eighteenth-Century Ch'ing China (California, 1984) pp. 119 - 20, 145, 155, 159, 162, 179 and 342 n. 36.

7) Ibid., pp. 283 - 98.

8) As described in Ch'ü, op. cit., pp. 25 - 32, 46 - 53, and 65 - 70.

9) The Eight Banners was a kind of hereditary, quasi-military caste including

The evidence requirement is more problematic. The present paper has been written (I would hesitate to say researched) under pressure from competing commitments, and should therefore be regarded as at best provisional. It was started with the intention of relying entirely on secondary sources (always an unwise procedure in the study of pre-modern Chinese history), but even secondary source information is quite hard to come by. Tax farming is not a generally accepted "Chinese Studies" subject, and papers tend not to be written with the word "farm" in their titles. The category of taxes most likely to have been farmed in the above sense was in fact the commercial taxes, but the literature on these is not substantial either.

There is a good reason for this: the fiscal importance to the High Qing state of the commercial taxes was relatively small (although increasing). According to a "simplified table" in a recent article, "commercial taxes" occupied 4% of total state revenue in 1652, 6% in 1685 and 1725, 13% in 1753 and 1766, and 15% in 1812. (The leading source of revenue was of course the land tax). These percentages may apparently be further broken down as follows:[11]

	%age of total state revenue derived from inland and maritime customs stations	%age of total state revenue derived from "miscellaneous taxes"
1685	3.76%	2.10%
1725	3.70%	1.86%
1753	10.30%	2.52%
1766	11.12%	2.47%
1812	11.99%	2.99%

Note 9 cont'd.) all the Manchu population. There were however two parallel sets of non-Manchu Banners, one comprising Mongols, and the other Chinese people whose ancestors had served as soldiers under the Manchus in Liaodong from the 1630s on.

10) See Shang Hongkui, Qingdai huangshang Jiexiu Fan-jia - "Honglou-meng" gushi shizheng zhi yi, in Zhonghua wen.shi luncong 18 (1981/2) pp. 195 - 202: pp. 195 - 7; Saeki Tomi, Chūgoku-shi kenkyū Vol. III (Kyōto, 1977) pp. 95 - 6; and P.M. Torbert, The Ch'ing Imperial Household Department: A Study of its Organization and Principal Functions (Harvard, 1977) pp. 92 - 3.

It would have been reasonable for scholars rather to have neglected "miscellaneous taxes" as subjects of study. These included such items as the reed tax (not a commercial tax in any case), fish tax, stamp duty on real estate transfers, brokers' license fees, shop tax, tax on arriving commodities (the luodi-shui), pawnshop tax, and tax on the sale of domestic animals.[12] As for the customs revenues, the compiler of the table opines only that the major reason for the increase in both their proportionate and absolute importance was a rise in "surplus" (= extra-quota) revenue,[13] but it seems more pertinent to suggest that what had chiefly made the difference was the well-known rise in takings from the Canton customs.[14] Canton apart, scholars might therefore reasonably have been tempted to neglect the customs stations also. Unfortunately owing to lack of time, consideration of the Canton Cohong system will be excluded from the present paper, despite its relevance to the subject of tax-farming.

Another topic which will not receive discussion in proportion to its importance is the Qing salt monopoly, one of the most obvious candidates for recognition as a farmed revenue-source. The salt monopoly was of considerably greater fiscal significance than the combined commercial taxes minus the Canton customs dues, accounting for 9% of all state revenue in 1652 and 1685, 12% in 1725, 17% in 1753, 12% in 1766, and 14% in 1812 according to the above-cited table. It is, however, a vast and complicated subject, with a rebarbative indigenous technical vocabulary, and although it has engaged much scholarly attention, the definitive study is probably still to be written. It would not have been possible to come to terms with the Qing salt monopoly as a

11) See He Benfang, Qingdai shangshui zhidu chuyi, 1987 article reprinted in Fuyin baokan ziliao/Jingji 1987/3 pp. 87 - 96: p. 90. The percentages should emphatically not be taken as definitive, and are cited here for their rough indicative value only. The 1766 line of the table is especially problematic.

12) Ibid., p. 87.

13) Ibid., p. 90. On extra-quota revenues as a general category, see below.

putative example of revenue farming in the time available.

The salt monopoly apart, revenue, or at least tax, farming as defined above is not in fact an obvious phenomenon of High Qing history. As far as I know, there was no word or expression for tax-farming in Qing Classical Chinese. I have never heard of rights to exploit revenue sources being rented out through public auction in the High Qing period, and there are no doubt many other Qing specialists who have not heard of it either. Edicts generally assume that collection even of the miscellaneous commercial taxes is being done by bureaucrats and their subaltern staff, and that appropriation of tax revenues is simply peculation by state employees. In short, in the case of High Qing China, revenue farming has to be looked for. In what follows, I shall first consider, in a general way, whether any preconditions for/contributory causes of/ components of revenue farming existed in High Qing China, and then take several possible cases of revenue farming, and try to determine whether they qualify for the name.

Did any preconditions for/contributory causes of/components of revenue farming exist in High Qing China?

Yes.

1) Bureaucratic deficiencies were certainly present. The underpayment of the Qing bureaucracy has already been discussed. If its resulting corruption was recognized, the government might have looked for honest revenue collectors from outside its ranks (or welcomed a system in which honesty was not an issue after a certain point).

The use of intermediaries in tax collection was also made more likely by the bureaucracy's limited size relative to the general population, and its

14) The Canton customs revenues rose from a five-figure quota plus an unknown quantity of unreported surplus in the Kangxi period to a peak annual average income of about 1.5 million taels during 1800 - 1804. The revenues from the Jiangsu, Zhejiang and (more especially) Fujian Maritime Customs increased also, but much less spectacularly so. See Dai He, Qingdai Yue-haiguan shuishou shulun, in Zhongguo shehui jingji

concentration in administrative capitals. More research is needed on the question of the number of bureaucratic employees per head of population in the High Qing period, and how it compares with that in other bureaucratically-run societies before the advent of the photocopier and the computer. The concentration in adminitsrative capitals, however, is already an established fact. The magistrate or his junior colleagues might make trips into the countryside when occasion demanded it, and runners were regularly sent out there, but the only permanent official presence located in the countryside or any town outside the county capital was that provided by the police chief or the clerks who staffed the outpost if no police chief was appointed.[15] There would be at most two or three police outposts per county, and many counties probably had none at all.[16] The typical county population was likely to be in six figures by the mid-eighteenth century.

2) The common practice of setting annual quotas for the proceeds of particular revenue sources created the potential for revenue farms wherever it was found, for there was always the theoretical possibility of empowering the revenue collector to appropriate whatever revenue was surplus once the quota was fulfilled. In such cases, the quota would have become the rent for the farm.

<u>However</u>:

a) Although the traditional Chinese bureaucracy had a definite propensity for setting annual revenue quotas, it did not invariably do so. According to Ch'ü T'ung-tsu, there was considerable variation between provinces as to which, if any, of the "miscellaneous taxes" (as listed above) were governed by quotas.[17] Moreover, the government might occasionally, perceiving the irrationality of conjoining the principle of "fixed collection rates applicable to a variable

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Note 14 cont'd.) <u>shi yanjiu</u> 1988/1 pp. 61 - 68: pp. 65 - 6.

15) See C.O. Hucker, <u>A Dictionary of Official Titles in Imperial China</u> (Stanford, 1985) p. 254. "Police chief" is <u>xunjian</u>: the conventional translation of "sub-district magistrate" is a misnomer, although the <u>xunjian</u> could have general administrative responsibilities delegated to him.

16) Compare the Empire-wide totals for police chiefs at different dates in the Qing period with those for county magistrates in Table

volume of commerce" with that of a fixed annual quota for commercial taxes,[18] switch from the latter principle to that of "deliver all that is collectible" (jinshou jinjie), as happened with the Fujian fishing tax in 1736.[19]

b) It was not a foregone conclusion that extra-quota revenues would be collected, given the traditional emphasis on fiscal self-restraint in the Confucian value-system. Ray Huang gives the example of an early sixteenth-century internal customs tax administrator who fulfilled his quota in three months, and suspended tax collection for the remainder of the year. He was praised by traditional historians.[20] Conversely (and more significantly), a slightly earlier President of the Board of Revenue is said to have penalized customs officials who over-fulfilled their quotas in the periodic personnel evaluations.[21] The temptation to adopt this kind of attitude survived into the High Qing period, although the High Qing governments were less egregiously vulnerable to it. In the case of customs duties (where after all the sums involved were of a useful size) they consistently expected extra-quota revenue to be collected. With those miscellaneous taxes which were commonly paid by relatively poor people, however, and whose yields were extremely small, they probably preferred county magistrates to reflect Imperial benevolence by stopping at the quota (if there was one). There was quite a rhetoric of concern for petty trading folk in High Qing governmental discourse, and Ch'ü T'ung-tsu suggests that magistrates were left the freedom to be generous to such people when administering these taxes.[22]

Note 16 cont'd.) I (p. 15) of J.R. Watt, The District Magistrate in Late Imperial China (Columbia, 1972).

17) Ch'ü, op. cit., pp. 145 and 296 n. 163.

18) Cf. R. Huang, Taxation and Governmental Finance in Sixteenth Century Ming China (Cambridge, 1974) p. 228.

19) See Qingchao wenxian tongkao (official publication, 1786) 27/5085. In this case, however, fixed collection rates had not previously been implemented: the tax administrators had merely taken the annual quota and divided it equally among the boats regarded as being involved in fishing in their county in the given year.

20) Id., "Fiscal Administration during the Ming Dynasty", in C.O. Hucker

Some magistrates who could afford to do so perhaps availed themselves of this freedom, whether through idealism, through desire to secure a favourable reputation, or through desire for a quiet life.

c) As implied in (b) above, the High Qing government was not in every case uninterested in extra-quota revenue. One thing that might happen in the long term was that it might set a quota for the extra-quota revenue, thereby diminishing (if not entirely eliminating) the scope for appropriation by the tax collector or benevolence to the tax-payers. The Board of Revenue was already burdening the customs stations with de facto quotas for their extra-quota revenues by 1741, when the Qianlong Emperor told them to stop it.[23] Formal quotas for the extra-quota revenues of customs stations were imposed during the Jiaqing period (1796 - 1820).[24] Even in the absence of formal or de facto quotas, the central power still wanted extra-quota revenue raised from the customs. During at least the greater part of the eighteenth century, this was allocated not to the Board of Revenue, but to the Imperial Household Department, i.e. the privy purse.[25] The Board of Revenue policed the operation (that is to say, performed stern audits).

PAPER REGRETTABLY UNFINISHED - TIME RAN OUT. AS PLANNED, IT WOULD HAVE TURNED OUT CONSIDERABLY LONGER.

Note 20 cont'd.) ed., Chinese Government in Ming Times: Seven Studies (Columbia, 1969) pp. 73 - 128: pp. 74 - 5.

21) Huang, Taxation and Governmental Finance, p. 229.

22) Ch'ü, op. cit., p. 145.

23) Qingchao wenxian tongkao 27/5088. The Board's practice was to reject the accounts of any customs superintendent whose reported surplus was less than that achieved the previous year.

24) He Benfang, op. cit., p. 88.

25) See Zelin, op. cit., p. 210, and Torbert, op. cit., pp. 97 - 101.

REVENUE FARMING IN CENTRAL JAVA

SOME NOTES ON THE POST=GIYANTI PERIOD

Historical Background

Epigraphic and written sources indicate that customs posts/ tollgates/ ferry crossings etc. were a source of revenue for the pre-colonial Javanese kingdoms from a very early periood. Work done by De Casparis and Barrett-Jones on the tenth-century Sailendra inscriptions indicate the existence of a putative tax-farming system based on indirect levies on the passage of trade goods and people which were particularly important both for the local rulers and for the sizeable **pradikan** (tax-free religious) areas endowed by the state. Three centuries later, during the Majapahit period, there were clearly toll-posts all along the major riverine arteries such as the Brantas and the Bengawan Sala in East Java, with indications that the tax-farmers of some of these **bandar** (tollgates) were mixed-blood Chinese (a good example here is the **pecat tandha** of Terung described by Pigeaud in his study on the **Negarakertagama** and in his **Eerste Moslimse Vorstendommen**). By the time the seventeenth-century VOC official (later Governor-General), Rijkloff van Goens, made his five-fold asmbassadorial missions to the court of mid-seventeenth century Mataram, the existence of customs posts or **rangkah** on the major highweays leading from the north-east coast into the Susuhunan's dominions was ubiquitous. Indeed, there are suggestions that one of the ways of territorially demaracting the core regions (**nagara agung**) from the outlying provinces (**mancanagara**) was through their geographical situation viz-a-viz the major tollgates of the realm. Hence, a province like Jabarangkah (lit.: 'the land which lies outside [**jaba**] the tollgates [**rangkah**] of the kingdom') which lay between the Mataram heartland and the north-east coast, was deemed to be a **mancanagara** (outlying) territory rather than a part of the **nagara agung** by virtue of its territorial position viz-a-viz the major customs posts of the realm. Ricklefs' work on the Kartasura period (late 1680s to 1742) shows that the tollgate keepers in Central Java were overwhelmingly **geschoren Chineezen** (i.e. **'shaven'** Chinese, Jav.: **kucir Cina**), Chinese whoi had embraced Islam and wore their hair in a long pigtail at the back. The number of Chinese residing on the north-east coast, especially newly-arrived immigrants from Fujien and the otrher maritime provinces of China, increased conmsiderablý in the late seventeenth-century as a result of the Manchu purges of former Ming-dynasty supporters in the imperial bureaucracy and the new political situation created by the 1677 treaty between the VOC and Sunan Amangkurat II (r. 1677-1703) which offered new opportunities for trade and smuggling (especially in the VOC monopoly goods such as opium and textiles). The spread of these Chinese communities into the **nagara agung** regions of South-Central Java can also be noted at this time, with suggestions by the prime minister (**Patih**) of the Kartasura court to construct a special **kampung** (residential area) for them near the kraton.

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Post-Giyanti Developments

One of the most remarkable developments of the post-Giyanti (1755) period was the speed with which the new Sultan of Yogyakarta struck a deal with the Head (subsequently **Kapitan Cina**) of the local Chinese communities in Mataram, To In, for the establishment of a tax-farm. It seems likely that Mangkubumi's contacts with this individual predated the Giyanti settlement, and that local Chinese merchants and tax-farmers played a significant part in the financing of Mangkubumi's war effort against Pakubuwana II and the Dutch. The first tax-farm lease with To In specifically excluded the eastern outlying provinces where local tax-farm arrangements were left to Mangkubumi's brother-in-law, Raden Rongga Prawiradirja I, the new Chief Administrator (**Bupati Wedana**) of the eastern **mancanagara**. The lease was apparently chiefly concerned with the tax-farm of the old **rangkah** (customs posts) of the Mataram state which had now come under Mangkubumi's control in Mataram and Kedhu. In a sense then, the 1755 Yogya lease continued the old practises of the Mataram court. However, according to witnesses interviewed by Crawfurd in 1812, it also extended the old Mataram lease by introducing the system of tax-farming into the western **mancanagara** territories (i.e. the lands to the west of Bagelèn) for the first time. This certainly enhanced the cash value of the lease since some of the Sultan's most productive rice-lands lay in this area. During the 37 years between Giyanti and his death in 1792, the annual farm payments increased over threefold to 46,000 **ronde realen** (f. 128,000), constituting about forty per cent of total royal revenue. At the same time, it was reckoned that the main Chinese tollgate leasers were making profits amounting to about a quarter again of what the farm was worth to the Sultan through private business dealings associated with commodity trade and through the contraction of subfarms. It should be noted here that easily the most lucrative item of trade at this time was rice (constituting about forty per cent of total profits of the farm). Indeed, when in 1804, the Yogya Resident suggested that there should be no tollgate levies on rice in order to alleviate local dearth caused by harvest failures, he was informed by the then Yogya **Kapitan Cina**, Tan Jin Sing, that, if this happened, Chinese tax-farmers would simply not put in any bids for subsequent tax-farm leases since their profit margins would be so minimal.

Several interesting poiunts can be made about the Yogya tax-farm of tollgates and customs posts in the period up to 1812 (when the administration of the lease was taken over by the British Government in the aftermath of the attack on the Yogya kraton).

First, in comparison to Surakarta, tax-farming revenue was more essential to the survival of the Yogya state. This can be seen in the much larger number of major **rangkah** established by the Yogya rulers in their dominions - thirty-four as opposed to Surakarta's seventeen. This was due to the fact that, on the whole, Yogya lands were less productive than those of the Sunanate and produced less land-tax (**pajeg**) revenue. It was thus more important for the Sultanate to wring more money from the tollgate leases in order to make up for the shortfall in revenue from the land-tax. It is perhaps no coincidence in this respect that popular grievances against the actions of the tax-farmers and their sub=contractors ran higher in Yogyakarta than in Surakarta on the eve of the Java War (1825-30). This may explain the greater readiness of the Yogya populations to support Dipanagara in 1825, although many other factors must also be taken into account.

Second, the fiscal importance of the tollgate tax-farm to the Yogya rulers, highlights the difficulties they experienced in raising revenue from the producers through the land-tax (**pajeg**). The lack of asccurate and periodically revised cadastral lists, the absence of a dependable corps of land-tax surveyors (**abdi-Dalem priksa dhusun**) - there were only forty for the entire **nagara agung** area in Yogya ! - and the ease whereby newly-developed ricefields were concealed from the attention of royal officials, all meant that the royal administration was hopelessly unable to keep pasce with inflation and tap the ever-increasing agricultural wealth of the core regions. The only partial exception to this rule was in the areas directly leased to Chinese or European tax-farmers (such as parts of Kedhu or the eastern **mancanagara** territories), although, even here, the bulk of the profits accrued to the tax-farmer rather than the rulers. It should be noted that reliance on an **indirect system of taxation**, was the mark of a weak rather than a strong government. Interesting parallels can be drawn here between post-Giyanti Yogya and Frederick the Great's Prussia, where, in the aftermath of the debilitating Seven Years' War (1756-63), the monarch had recourse to the French-run **Régie** (tax-farm of the local customs and excise) in order to boost state revenue. The presence of foreign tax-farmers in the Hohenzollern dominions provoked similarlky xenophobic reactions from the local populace as those evinced by the inhabitants of the Sultan's dominions viz-a-viz the Chinese **bandar**.

Third, reliance on tax-farmers, especially those of a non-**pribumi** character (like the **peranakan** Chinese **bandar** of the principalities), helped to prevent the coalescence between political influence and economic power which might pose a threat to the ruler. An example of the latter, in the Yogya case at least, was the influential family of the **Bupati Wedana** of Madiun, the Prawiradirjas, who combined great territorial/political influence with quasi-independent control of the local tax-farms (hire of the customs-free lighters -**prau pengluput** - on the Bengawan; felling of timber in the eastern **mancanagara** teak forests; **bandar** on major roads and river-crossings; market/sales taxes, especially slaughter of buffalo; retail of opium etc). This coalescence of territorial power and political influence provided anb alternative power base in the Yogya dominions which could, at times (eg during Radèn Rongga Prawiradirja III's revolt in November-December 1810), prove a serious threat to the Yogya court. These dangers were much diminished by the reliance on non-**pribumi** tax-farmers in the core regions. These = overwhelmingly Chinese - **bandar** had little potential for carving independent power bases for themselves in Javanese society, even when, like **Kapitan Cina** Tan Jin Sing in 1813, they were elevated to the ranks of the Javanese **priyayi** / aristocracy. A similar phenomenon can be observed during the **Perang Cina** in Central Java in the early 1740s. In fact, they were often a convenient scapegoat for the Javanese rulers at times of political tension (eg in 1811-12 prior to the second Sultan's showdown with the British; or, in the build-up to the Java War).

Fourth, it was a form of administration 'on the cheap'. The Javanese rulers were not required to put out any outlay of capital for the administration of the tax-farm because the tollgates were built and maintained by the Chinese leasers. Furthermore, once the tax-lease had been signed, there were no expensive administrative overheads since the tollgate-keepers and their subcontractors paid for themselves out of the profits from their leases. The rulers were even spared the trouble of the general supervision of the tax-farm since, in Yogya at least, this was entrusted first to the **Kapitan Cina** of Mataram, and then (post-1764) to the Dutch First Resident who sub-farmed it to the **Kapitan Cina** - although to save royal face, a Yogya official (usually a common-born **priyayi** of mercantile origin) was appointed as the ostensible "Head of the Tollgates" (**Wedana Bandar**). Interestingly a Javanese source, the **Babad Bedhah ing Ngayogyakarta**, makes a specific mention of this arrangement when it refers to the Javanese **Wedana Bandar** as the 'shield' (**tamèng**) of the recently-ennobled Yogya **Kapitan Cina**, Tan Jin Sing (Radèn Tumenggung Secadiningrat), who had been assigned as a **priyayi** to work in his Department.

Fifth, the connection between the tax-farm of the tollgates and the retail of opium in Central Java becoame increasingly important by the early nineteenth century, when virtually every **bandar** in the principalities had, attached to it, an opium den or a place where raw opium (**manta**) could be purchased. Certainly, in the period after the British take-over of the tollgates in 1812, opium had outstripped rice as the major money spinner for the tax-farmers, a development which was to have very baneful social effects and compound popular antagonism to the tax-farmers in the years leading up to the Java War.

Sixth, despite the ruthless methods used by the Central Javanese rulers (especially the Sultan of Yogya) to extract more revenue through fiscal expedients, of which the tax-farms were by far the most important, these really only became a serious burden on the local population when they were taken over by the European Government post-1812. The rack-renting of the tax-farms by the post-1816 Dutch government was particularly notorious here and proved a serious deterrent to local commerce in the immediate pre-Java War period. One question which might be considered here is whether one can discern any principles of 'moral economy' operating both in the way the Javanese rulers operated the system and in the way the local populations reacted to its excesses in the post-1812 period. How far was the tax-farm system seen as an unwarranted intrusion into their daily lives (remember that, if Crawfurd's testimony is to be believed, some areas of the principalities had only begun to experience the system in the post-Giyanti period) ? How far was it seen as a necessary evil ? Was the tax-farm system, at least in its pre-1812 incarnation, less onerous than a properly administered land-tax (**pajeg**) would have been ? It is interesting to note here that, according to Crawfurd, the inhabitants of the principalities counted themselves more fortunate in the post-1812 period than the inhabitants of the newly-annexed regions such as Kedhu, because, at least there were left free to choose their own crops and did not have to raise money (from local Chinese moneylenders) to pay for the Government land-tax. How far can the tax-farm system, as it evolved in South-Central Java, be seen as the precursor for some of the fiscal expedients of the post-Independence period, particularly the 'creative financing' and smuggling rackets operated by the army in the 1950s and 1960s ? Does the present-day evil of the **pungutan liar** (illegal toll dues) have its origins in the abuses of the tollgate systems in the pre-1825 period ? Some comparative discussions both cross-country and cross-period would be particularly helpful here.

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The Origins of Revenue Farming - Southeast Asian or Exotic?

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Defined broadly, as a licence to collect state revenue, revenue farming is virtually coterminous with the state in Southeast Asia as elsewhere. As understood in the nineteenth century, however, it was a monopoly right to conduct a particular service or engage in a particular activity for profit, in return for an agreed fixed price paid in advance to the state. In this narrower sense, I believe the system originates in the intensive contact of Southeast Asians with Europeans and Chinese from the seventeenth century onwards, and is not a purely indigenous growth.

The pre-colonial Southeast Asian state was far from monolithic. Even if some rulers believed that all land and therefore all the product of it belonged in some ultimate way to themselves, revenue collection was always indirect and usually variable. Taxation was levied in numerous ways, including tribute, levies of produce, duties on trade, tithes and labour obligation. There were few important economic activities (fishing, hunting and banditry are the only ones which come to mind) which did not attract a levy from some political authority. The links binding local to central authority were usually personal and changeable, however. For any tax to work, the local authority and the people directly involved in revenue collection had to have a share in it. This was typically arranged by a proportional system, in which various officials or local potentates, in addition to the king, were entitled to a share in revenue.

To outsiders the way in which charges were levied on trade seemed at times like wholesale bribery: "for there is no beholding of any great man's face, without first presenting the pishcash before it" (Clark 1643: 284). After elaborate negotiations in Patani in 1603 the Dutch ended up making substantial "presents" to eight key officials in addition to the Queen herself (Warwijck

1604: 43-45). This division of revenues was more systematic than it appeared to newcomers. The Adat Aceh, for example, made clear that for every hundred ingots of imported iron weighed at the customhouse, nine had to be distributed among six officials - the syahbandar's representative, three scribes, the foreman in charge of weighing and one of his workers (Ito 1984: 388). Similarly for every hundred slaves imported sixteen went to the king and two to the harbourmaster (**Panglima Bandar**), while most other charges were divided up in some way (ibid. 365-83). Although we know less about systems of collecting tribute in agricultural produce such as rice, there too certain proportions were usually allotted to the king, to the relevant court offcial, and to the local dignitaries charged with collecting the taxes.

The way in which these revenues were divided was a function more of power and status than of economic relationships. A strong king could replace hereditary notables with temporary functionaries and increase the proportion of tax flowing into the treasury; a weak one would find most lucrative aspects of the economy escaping his control.

Within this system, key items of trade were frequently claimed as royal monopolies. The typical items which later became the subject of colonial tax farming monopolies - salt and narcotics - but also valuable minerals and firearms, often were declared to be only for the king to buy or sell. It appears to have been major items of trade relatively easy to control which were the prime candidates for such monopolies, rather than luxury or dangerous items as such. King Narai of Siam gained large revenues from monopolizing the sale of areca and betel leaf (Choisy 1687: 182); Melaka asserted a royal monopoly over tin, and a number of rulers tried to establish a monopoly over the export of pepper once that became their most lucrative resource. If not a full monopoly, rulers frequently required foreign traders to deal first with them. In Pasai when the Portuguese first arrived "it was the custom... that all imported merchanise had to be offered to the king's officials for prices fixed by the king before anything could be sold" (Barros 1563 III, v: i); something similar operated in the pre-Islamic Bugis port-state of Luwu' (Kern1939: 13).

Such monopolies of course required royal officials or cooperative merchants to operate them. Nevertheless these figures were far from being revenue-farmers in the nineteenth century sense. They were usually royal favorites who obtained an influential position in which to trade on their own by trading for the king. They operated economic fiefdoms rather than farms.

It was in dealing with large numbers of foreign traders that systems closer to revenue farms developed, where a particular foreign-born resident was made responsible for extracting revenue from his more transient countrymen. The system of syahbandar which operated in most Malay ports and in Cambodia was already a step in this direction:

> There are in Melaka four Syahbandar [broadly one each for Gujeratis, other Indians, Indonesians and Chinese]...They are the men who receive the captains of the junks, each one according as he is under his jurisdiction. These men present them to the **Bendahara**, allot them warehouses, dispatch their merchandise, provide them with lodging if they have documents, and give orders for the elephants. .... Each man applies [to the syahbandar] of his nation when he comes to Melaka with merchandise or messages....
>
> A present is paid to the king, and the **Bendahara**, and the **Temenggong**, and the syahbandar of the nation in question, and these presents will amount to one or two per cent. According as the syahbandar decides, so the merchants pay, because the Syahbandar are sympathetic to the merchants and of the same nations as the merchants; and sometimes they give more, according as the syahbandar wish to be on good terms with the king and mandarins (Pires 1515: 265, 273).

This type of brokering between the state and an unassimilated commercial minority was at the heart of the farm system as it later developed.

The prominence of powerful European trading companies, and particularly of the Dutch VOC, greatly increased the tendency towards monopolistic deals by the ruler. In 1618, for example, the Acehnese ruler allowed the VOC to monopolize the purchase of pepper from Tiku and Pariaman for two years in return for gifts and the purchase of his cloth on generous terms (van den Broecke 1634: 172-3). This was one way of responding to the immense competitive pressure from the Dutch and English, both of whom wanted monopolistic arrangements in bulk rather than competition with Indian merchants over small purchases. Another way was that taken by Banten, which decreed in 1619, in response to Dutch seizures of private Chinese cargoes, that pepper could henceforth only be bought through its state apparatus (Meilink-Roelofsz 1962: 254). Banten went on to develop an increasingly state-centred trading policy over the next half-century, which proved the only way to cope with Dutch pressure.

Seventeenth century Siam reacted in the same way. Although the import of firearms, silver and copper were made a royal monopoly under earlier kings, it was Prasatthong (1629-56) who extended this to include the most important export products - sappanwood, tin, lead, saltpetre, elephants and tusks. His successor Narai (1656-88) extended these monopolies, and established something like a monopoly farm for prostitution.[1] He also used Chinese, Indian Muslims and Europeans to develop an extensive network of royal trade, notably to Japan, China and India (van Vliet 1636: 90-91; La Loubère 1691: 112; Dhiravat 1984: 36-42). At home he granted specific export monopolies to the European companies - Patani pepper to the English in 1678, Ligor tin to the Dutch in 1679, Phuket tin to the French in 1685 (Aubin 1980: 113; Gerini 1905:

[1]"A certain man...has a privilege of prostituting them [slave women] for money, in consideration of a tribute he pays the king", La Loubère 1691: 74.

146-8). This was a means to placate the powerful Europeans at the same time as ensuring that revenue from these remote dependencies came to his treasury rather than to intermediate hands. In this as in other respects, the European trading companies encouraged a trend to wards absolutism in seventeenth century Southeast Asia.

Some of these Thai contracts with Europeans, Chinese and Indian Muslims to operate particular monopolies probably did begin to resemble revenue farms. European companies had a stronger bargaining position than a typical farmer, of course, but individual Europeans as well as Chinese engaged in something akin to bidding for lucrative positions. In the eighteenth century Chinese became far more numerous in Siam, and many of the key areas of the economy were farmed by them. In Phuket, according to Hamilton (1727: 37), the governors were "generally Chinese, who buy their places at the court of Siam and, to reimburse themselves, oppress the people". A gambling monopoly was farmed in Ayutthaya around the 1730s by the Chinese father of Taksin (Skinner 1957: 20). In the eighteenth and nineteenth centuries revenue farms became particularly associated with Chinese, although Chulias from the Coromandel Coast operated in somewhat similar ways in the Malayan peninsula and Sumatra. The explanation appears to be that the Chinese had no strong organization behind them like the Europeans, but did have the numbers and the capital to be able to offer major advantages to a ruler having uncertain control of his own people and a great need for cash.

The quintessential revenue farm, sold at auction to the highest bidder, arose from the combination of Dutch organization and Chinese enterprize. It was immediately clear to Coen that his plan for a permanent base in Asia would have to rely on Chinese for its essential population, revenue and services. Within a few months of the foundation of Batavia (1619) Coen went to great lengths "to lure, bully and kidnap" Chinese for the settlement (Blussé 1975: 46). Chinese in turn came to realize that the Dutch offered relative security and the option of remaining unassimilated. In November 1619, only a couple of months after the founding of Dutch Batavia, So Bingkong ("Bencon") was named chief ("captain" came a few years later) of the 400 Chinese in the city, with authority to decide civil disputes (Hoetink 1917: 354-5). A year later he was authorized to weigh the goods of merchants, presumably on a commission basis. In 1626 the Governor-General decided to commence farming the right to operate the official weigh-house, in order that these regulations "should as much as possible conform with the customs of our fatherland", and Bencon was the successful bidder (Hoetink 1917: 361). Since in the 1630s and '40s the annual auction of the government revenue farms took place on New Year's day at the opulent house of the Chinese captain, it was clearly expected that Chinese would play the major role and that the Captain would himself be involved at least informally in most of the farms (Hoetink 1917: 361-6). By 1644 Chinese operated seventeen of the twenty-one revenue farms, including gambling, markets, import and export tolls, and Chinese theatre (Blussé 1986: 82).

Van Leur (1955: 138) argued that this rapid appearance of revenue farming in Dutch Batavia was a sure sign that it must have existed in neighbouring Javanese-controlled Banten, where the Chinese had a very large stake in the economy, even though there is no specific record of it. Blussé (1975:49) by contrast looked for precedents in Manila, since Coen well understood the economic importance of the Chinese there. In Manila, however, the Spanish drew revenue from the Chinese more by tribute and poll-tax than monopoly farms. The evidence above suggests that the Dutch model itself was one ingredient in the revenue-farming system, and Chinese business practice the other. Dutch lack of interest (in contrast to both Spanish and Southeast Asian rulers) in assimilating economically powerful Chinese into the urban elite appears to have given Batavia's revenue farms from the beginning the style which they were retain through their nineteenth century peak. The selling of monopoly farms in the marketplace was an economically efficient means of drawing revenue from the Chinese community on a purely business basis, without encouraging either assimilation or quasi-aristocratic brokering.

The pattern established in Dutch and later British entrepots was carried by Chinese to independent Indonesian states in place of the older syahbandar system of shared revenue. In 1702 a Dutch report noted as a regrettable novelty that toll gates had been installed between Semarang and the Javanese capital of Kartasura, with a Chinese to farm its revenues (de Haan 1912, III: 182).[2] In the nineteenth century Straits Chinese similarly farmed the revenues of most of the Malay states of Malaya and Sumatra.[3]

That the system was seen as a new and somewhat alien one is confirmed by the adoption of the Dutch word for farm (**pacht**) to describe this system and eventually to become the standard modern Malay/Indonesian word for tax (**pajak**). The modern Thai word for tax, **phaasi**, derives from Chinese and presumably is also connected with the revenue farms.

It appears, then, that revenue farming in its full sense was a new stage in Southeast Asian state development, attributable primarily to Chinese-Dutch economic partnership. It was convenient for rulers who wanted to have their revenue in advance and to avoid the trouble of assimilating the Chinese elite or becoming embroiled directly in its affairs.

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[2] It is striking that Raffles (1817, I: 224-7) argued that it was intensive Chinese efforts to get hold of Indonesian revenue farms which had imposed a system very much against Indonesian interests, whereas Crawfurd (1820, III: 72-4) believed that the revenue farm system was both universal and a "necessary consequence" of Indonesian incapacity and Chinese immorality, and that it worked better than employing European revenue officers.

[3] In Asahan (east Sumatra) for example, the Malay ruler farmed out all the state revenues, including salt, opium, gambling, and import and export duty, to the Penang firm of Ban Hooah for six years beginning in 1863, at an annual rental of 2,600 Straits dollars - Raja Asahan to Netscher in Singapore to Ft William 26.viii.1865. C.P.D. 83, Coll. 5 to No.33: Ord to Buckingham 14.ix.1868, copy C.O. to F.O. 11.xi.1868, FO 37/487 - Public Record Office.

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The Collapse of Singapore's Great Syndicate

Carl A. Trocki

In 1880, for the first time since the Singapore farms were founded, a syndicate led by a non-Singaporean, acquired the farms. The Penang merchant, Koh Seng Tat came to Singapore with newly-made wealth from the West Coast tin states and simply outbid the well-entrenched Singapore syndicate. This event should be seen as a watershed because it marked the end of the local monopoly on the farms and signaled the internationalization of Singapore's revenue farming syndicates. Hereafter, anybody with more ready cash than the Singapore farmers could enter the field and bid for the farms. For the colonial government of Singapore, the event seemed the answer to their long-standing difficulty of keeping the farms competitive. The event was seen as a triumph of bureaucratic rationalization and an advance of European control over the Chinese.

As things turned out, the taste of triumph was premature. Koh's syndicate was less than a success. He was able to keep the farms, although he lost money, against substantial opposition from the disappointed local syndicate which conspired to break the Koh syndicate through smuggling. The old Singapore syndicate had joined Koh as partners and then proceeded to break the back of their partner's company. The lesson of Koh's difficulties ultimately forced the colonial government, to intervene even more aggressively in the policing of the farming monopoly.

In 1883, a new governor, Sir Frederick Weld, who was willing to stretch the letter of the law, mounted an effective campaign to destroy a second smuggling conspiracy engineered by the old syndicate and again claimed success in establishing governmental control of the revenue system. Weld's claims of success should also be accepted with some reservations. In the past, most governors had tried to control the farmers but most had ultimately been forced to compromise. Weld too, was finally forced to cut a deal despite his assertions to the contrary.

Rather than accept Weld's claims at face value, it is useful to look beneath the surface. The Penang syndicates' winning of the Singapore farms was a signficant event, but to assume that administrative initiative was the cause of the shift may be incorrect. I propose that the changes which were occurring in Singapore's Chinese social and economic order were of greater importance in bringing about this change. While bureaucratic rationalization was certainly a factor, it could not have effected a shift in the revenue farms without an appropriate social climate.

I. The Pepper and Gambier Society and the Great Syndicate

In the initial stages of Singapore's history, the farms were organically tied to the local economy, the pepper and gambier trade, and to the Chinese social institutions that were associated with it. The farmers needed to rely on kinship or dyadic ties to the local social network, both secret and otherwise, in order to maintain their hold on the farms. The farms were supported by patron client networks, brotherhood oaths and debt relationships. This socio-economic network, perhaps what Lee Poh Ping has styled, the pepper and gambier society had evolved over the prior half-century, and in some respects dated back before the British had even come to Singapore. In the 1870s however, important shifts occurred the Singapore economy.

An important part of the change was the decline in pepper and gambier planting in the Singapore area. The soil was exhausted and the firewood supply was being used up. Thus planters had begun to leave the island for virgin areas. Another part of this change was related to the character of Singapore's population. Within Singapore the pepper and gambier cultivation had ceased to be the principal employer of labor.[1]

[1]Siah (p. 290), suggests that in 1848 there were 10,400 pepper and gambier planters in Singapore and 300 pepper and gambier shopkeepers. Given Seah's total Chinese population of 40,000 for that period, it would mean that the agricultural system absorbed fully 25% of the Singapore Chinese. The 1881 Census showed that the Chinese population had risen to 86,000, and will comparable figures for the number of gambier planters is not available it is known that the absolute number had decreased since the 1850s.

As Yong Ching Fatt has pointed out the period between 1848 and 1878 had seen the growth in the size and complexity of the urban working class.[2] This population was ethnically more diverse than formerly and perhaps more atomized and thus more amenable to formal economic and police controls than the pepper and gambier planters. The processes of commercialization and urbanization were radically altering the structure of the colonial society and economy.

The planter population had lived in villages dominated by planters' kongsis and the associated triad societies under a kangchu. The strength of the farming system which had evolved in Singapore by the 1870s, was in the affiliation between the farmers and these planting communities which were located not only in rural Singapore, but in nearby Johor, Riau and adjacent areas. Kangchu settlements were opened on virtually every river of appropriate size in Johor.[3] At the same time, pepper and gambier plantations had been opened on most of the major islands

[2] Yong compares Seah Eu Chin's 1848 list of 33 occupations with Vaughan's list of 1878 showing the Chinese engaged in over 100 occupations. Yong Ching Fatt, "Chinese Leadership in Nineteenth Century Singapore" Journal of the Island Society, Vol. I, No. 1, Dec. 1967, p. 2. (Cf. Siah U Chin, "The Chinese in Singapore" Journal of the Indian Archipelago and East Asia, Vol. 2, 1848, p. 284-290; J.D. Vaughan, The Manners and Customs of the Chinese of the Straits Settlements, Singapore, 1879, p. 16.

[3] Carl A. Trocki, Prince of Pirates: The Temenggongs and the Development of Johor and Singapore 1784-1885, Singapore University Press, Singapore, 1979, pp. 161-185. This section discusses the links between the Johor plantations and the Singapore mercantile elite.

of the Riau-Lingga Archipelago including Bentan, Battam, Galang, Lingga, Singkep, the Karimons and other small islands in the vicinity.[4] All of this focused on Singapore where some seventy-five pepper and gambier firms, grouped together under the merchants' organization called the Pepper and Gambier Society (or Kongkek) dominated the trade in the articles.[5] The system of financial controls and indebtedness is what Singapore merchant, W.G. Gulland called the "great opium syndicate". It represented an enormous accumulation of labor and capital, and with the catalyst of opium, it had yielded considerable profits.

The Singapore farming syndicates, which by the 1870s had grown fat by monopolizing the sale of opium to pepper and gambier planters and their coolies, were began to lose their grip. They had used the economic leverage gained from controlling this socio-economic bloc to exercise dominance over the rest of Singapore's Chinese society. For them, the decline of the agricultural system meant a difficult adjustment. The syndicate was run by a combination of Teochew and Hokkien financial cliques together with a few selected brotherhoods, or secret societies.

[4] SSADR, 1904, pp. 542-552 and SSADR, 1906, p. 310.

[5] SSD, 1880, "Chinese Hong List", pp. ix-xii.

The core of the syndicate included all the major farms in the Singapore area including Singapore itself, Johor, Riau and Melaka. It had been organized and was headed by a three-man partnership of Tan Seng Poh, Cheang Hong Lim and Tan Hiok Nee. The three of them had spent most of the 1860s fighting each other for control and had finally compromised and joined each other in 1870. The syndicate may have been comprised of as many as one thousand shares valued at nearly $1,000 each. This system seems to have reached its zenith in 1879, when Tan Seng Poh, the real head of the farm, died.[6] Gulland said of him,

> It is the duty of the head of the Farm to judge of the means and position of any probably opposition and to decide whether the new concern should be fought, squared, or to what extent taken into partnership. A very anxious time Seng Poh must often have had, but he was a very able man and appeared to manage matters highly to the advantage of himself and his friends, all of whom seemed to grow rich.[7]

II. Monopoly and Riot

The hypothesis suggested here is that the "Great Opium Syndicate" merely represented the tip of the iceberg of what might be termed the "informal" power structure of the colony. The integration of the major farms and the resolution of differences by the major Chinese mercantile factions in Singapore had given a focus to the various groups affiliated with them.

[6] Song Ong Siang, One Hundred Years' History of the Chinese in Singapore (Singapore: University of Malaya Press, 1967; reprinted from London, 1923), p. 203. Tan Seng Poh died on 13 December 1879.

[7] Song, p. 132.

The government's dependence on the farms and the recognition given to the farmers and to the other "headmen", was, to the average Chinese, a legitimation of the system by which these men exercised power. What emerges here is a picture of a kind of indirect rule in which, so far as government was concerned, the leading Chinese had been co-opted in the service of the state. This was also, in some respects, a tacit acceptance of the paramount role of <u>certain</u> secret societies or brotherhoods, and of the exclusion of others.

There were difficulties inherent in the system. An agreement among the leaders of the societies and an amalgamation of the revenue farms made it possible for the leadership to cut costs on security. Generally this meant unemployment for those groups not involved in the security of the farms. In this case, the Seh Tan (a surname group) and perhaps a couple of other well-entrenched societies seem to have taken the prize. This left other groups to fight it out among themselves for control of the less lucrative and illegitimate vices of gambling and prostitution. The secret societies were taking on the character of urban slum gangs. In addition, there was the continuing problem of integrating newly arrived "soldiers" from China.[8]

[8]During the 1870s the Chinese authorities had moved to "pacify" the Teochew areas which had been in a state of disturbance since the beginning of the Tai-Ping Rebellion. As a result, numerous fighters left China and came to Singapore. The a report for the Singapore Legislative Council shows the following list of arrivals at Singapore:

1871	16,814

Trouble seems to have started as soon as the great syndicate was formed and persisted throughout the 1870s.

The move in 1872 to chase the hawkers off the five-foot ways was seen, by the average Chinese as simply one more attempt by the monopolists to take a piece of their action. The situation was certainly exacerbated by the arrival of so many aggressive newcomers in a situation where every bit of "turf" was already spoken for. But, the key element, both in the Veranda Riots and in the Post Office Riots was a response to felt oppression. In fact, during the Post Office Riots, individuals such as Tan Seng Poh and those affiliated with him were actually named on the placards as the oppressors.[9]

The riots in the 1870s were quite distinct from those which convulsed the island in the 1850s. The latter fights arose out of economic competition between the pepper and gambier

1872	18,283
1873	34,373
1874	37,535
1875	64,986

Source: Singapore, Legislative Council, "Report of the Committee Appointed to Consider and take Evidence upon the Condition of Chinese Labourers in the Colony", Singapore, Nov. 3, 1876, p. cclxxix.

[9] Song, p. 191. Low How Kim was listed as the Chief Assistant of the Opium Farm in 1877. His father, Low Ah Jit, was a prominent Teochew pepper and gambier merchant. The association between the opium farms and pepper and gambier was quite typical. After 1880 he is said to have received help from Tan Hiok Nee and also gone into the pepper and gambier business. See also, SSD, 1877, p. 102.

cultivators. Clearly the outbreaks of that period and the long twilight struggle of the 1860s, between the various groups as the Great Syndicate was being formed, must have sorted out a great many of the issues that divided the Chinese in the pepper and gambier agriculture.[10] The settlement of the issues of land and labor control and the fact that there do not seem to have been outbreaks of serious violence in the countryside meant that the riots of the 1870s were something else. They were confined to the city. The pepper and gambier agriculture seems to have been unaffected by the riots in the town, which, compared with the events of 1850s, were rather mild affairs. The presumed quietude of the rural areas suggests that the system of domination developed under the opium syndicate was, if nothing else, quite effective.

The long-term problem from the government standpoint however was just that very effectiveness. The system placed a great deal of power in the hands of not only the farmers, but also of the groups within Chinese society which had been mobilized to support the system. It is worth noting that as of 1876, none of the Seh groups had been registered as "dangerous" societies. Vaughan, writing a few years later, indicated that groups like the Seh Tan, should be placed in the "dangerous" category, but until the

[10] For a description of these see my article, Carl A. Trocki, "The Rise of the Great Syndicate 1840-1886", JSEAS, Vol. XVIII, No. 1, March, 1987, pp. 64-78.

1880s, only six societies were in that classification.[11] It is also notable that individuals such as Chua Moh Choon, the acknowledged head of the Ghee Hock, had acquired a degree of respectability by the 1870s.

If the dissatisfaction of the urban working class Chinese helped to fuel the riots, the influence of the syndicate also bothered a number of British administrators, particularly William Pickering, the first "Protector" of the Chinese. At the time he was only one of the two English administrators in Singapore who could speak Chinese. To him, the syndicate seemed an anomaly which placed too much power in the hands of private individuals and relied too much on informal agencies for the operation of the government. During the 1870s Pickering gradually brought a number of the societies under a degree of surveillance and by the 1880s was in a position to advance the level of direct government control to another level. He was a major opponent to Vaughan's "laissez-faire" view of Chinese administration. His views were

[11] Legco, 1876, "Report of Committee Appointed to Consider and Take Evidence upon the Condition of Chinese Labourers in the Colony", 3 November 1876, p. ccxlv. This listed nine dangerous societies, including two branches of the Ghee Hin and a total secret society membership in Singapore of 11,507. Pickering's list, dated January 1878, published in Comber (1959, p. 291) listed ten societies. He had added the Hainanese branch of the Ghee Hin to the Hokkien and Teochew. This list gave a total membership of 12,371. Vaughan (p. 113) lists roughly the same societies, but also lists the "Hin Beng Hong" which he claims was the Seh Tan society. The other two, "Yeat Tong Koon" and "Tong Ngu Hong" he also considered "tribal" societies like the Hin Beng Hong and "... quite as dangerous as to the peace of the colony as the Ghee Hin."

much more acceptable to the new Governor of the Straits Settlements, Sir Frederick Weld.

III. The Fall of the Syndicate

It is difficult to account for the collapse of the syndicate in terms of a single specific cause. As was the case in the past, a number of situations came to a head at about the same time. There was another change of generations. By 1879, Tan Seng Poh and Cheang Hong Lim had been involved in the farms for nearly twenty years. Seng Poh died in that year. And perhaps his death signaled an opening. A syndicate led by Koh Seang Tat, the most prominent member of the third generation of the Koh clan of Penang had come down to Singapore and outbid the local syndicate for control.[12] The fact that the challenger came from outside is again an indication of how complete was the power of the former kongsi. All of the competition inside Singapore had simply been absorbed or eliminated. There is little doubt that the government was glad to see a new face in the auction. The power of the Tan-Cheang-Tan syndicate had apparently become so

[12] C.S. Wong, A Gallery of Chinese Kapitans, Ministry of Culture, Singapore, 1963, pp. 16-17. Also, Wynne suggests that he was affiliated with the Penang financial clique led by Khoo Thean Teck which had achieved temporary domination of the Perak and Penang farms and had profited from the Larut wars. Wynne claimed they were associated with the Singapore merchant, Tan Kim Ching. Mervyn Llewelyn Wynne, Triad and Tabut: A Survey of the Origin and Diffusion of Chinese and Mohamedan Secret Societies in the Malay Peninsula A.D. 1800-1935, Singapore, Government Printing Office, 1941, with foreword by W.L. Blythe, 1957, pp. 255-56, 326.

pervasive that they had been able to hold the farms with only minimal increases for well over a decade. (Table 1)

Table 1: Yearly Rent for the Singapore Opium Farm

Year	Rent	Total Revenue	%
1867	$360,000	$ 963,051	37.3
1868	355,550	989,370	35.9
1869	360,600	855,174	42.2
1870	360,600	875,690	41.1
1871	360,600	913,953	39.4
1872	390,650	1,023,759	38.1
1873	360,600	989,183	36.5
1874	346,500	891,818	38.9
1875	398,000	967,235	41.1
1876	383,000	1,062,733	36.0
1877	413,300	1,003,059	41.2
1878	372,900	904,500	41.2
1879	440,700	1,002,881	43.9
1880	600,000	1,277,413	47.0
1881	600,000	1,316,545	45.6
1882	600,000	1,375,585	43.6

These relatively low increases, less than $50,000 over a decade, indicate that the farmers and the other members of their syndicate must have been doing very well for themselves. Thus the bid of $600,000 per year by Koh Seang Tat was probably much closer to the appropriate value of the farm. It is important to remember that the population of Singapore had been increasing quite substantially during the decade, the price of gambier had been rising, and the price of opium itself had been completely stabilized.[13] All indications are that the consumption of opium

[13]After a series of rather extreme fluctuations in the 1850s and 1860s, the Calcutta opium market had more or less stabilized at a little over $500 per chest. It remained at that level until the late 1890s when inflation and a number of other factors led to its increase.

had been increasing along with population and that the farmers and their shareholders had a very good thing indeed.

The Singapore syndicate was obviously not pleased when Koh took the farm away from them, however, one method of fighting opposition was to join it. Gulland's account runs as follows:

> This Penang syndicate then went to the Singapore men and asked them to go into partnership with them, which they consented to do, probably with a view to damaging the Farm for the Penang men, rather than with any idea of making profit out of it for themselves... during the whole three years, smuggling was rife, particularly in third year, and there is every reason to believe that it was carried on at the instigation of the Singapore syndicate, with the intention of depreciating the Farm in the eyes of the Penang men.[14]

IV. The Conspiracy of 1883

The struggle for control of the revenue farms reached a crisis in early 1883. By late 1882, it was clear as Gulland noted that the Singapore men had achieved their purpose. Most of the partners in the 1880-1882 farming syndicate of Koh Seng Tat refused to risk their money again, having clearly finished in the red the first time. Koh himself seems to have given up trying to do business in Singapore. Still, the few who remained of that syndicate formed a company and, offered a bid of $63,400 per month (the monthly rent of the previous farm had been $50,000). They were outbid by the principal partners in the old Singapore

[14] *Legco*, 28 February 1883, p. 7.

syndicate, now reformed, who offered $69,000 per month, which would have meant a yearly rent of $828,000. Gulland continued:

> So far their little game was successful, but unfortunately for them another lot of publicans and sinners arrived on the scene from Penang and offered $85,000. I fancy the Executive Council was rather staggered by this figure.

This would have meant an annual rent of $1,020,000. There was a meeting between the Governor, the Executive Council and the new high bidder, Chiu Sin Yong, and it was later announced that the new rent would be $80,000 per month and that the retail price of chandu would be raised from $1.80 per tahil to $2.20 per tahil. The Singapore syndicate was quite upset with this turn of events. When the new farmer, Chiu Sin Yong, came and asked them to join, they refused.

> ... the Singapore gentlemen returned answer that the price (of chandu) was so exorbitant that they could have nothing to do with it, and they seem to have decided on a bolder line of action and determined to try to ruin the Penang men at the outset, and so force the Government to give the Farm to them, as the next highest tenderers.[15]

The stage was thus set for a confrontation between the new generation of Singapore opium farmers -- or would-be opium farmers -- and the government. What followed in the first months of 1883 was a clear test of strength between the system which had dominated the Chinese of the colony for over a decade and the new and aggressively imperialistic governor, Frederick Weld.

[15] Legco, 28 February 1883, p. 7.

According to Gulland and a number of other observers -- after the fact -- the government had made a big mistake in allowing the spirit farm to be taken by a different syndicate. The spirit farmer was Tan Keng Swee (Seng Poh's son) who was backed by Cheang Hong Lim and Tan Hiok Nee.[16] To protect the spirit farm, he had employed all of the chintengs of the old opium farm -- this was the Seh Tan. Eighty men were hired where it was said that only ten or eleven were necessary. Since spirits were so much bulkier than opium and more difficult to smuggle, it was not necessary to have so many of them. Possession of the spirit farm thus gave Tan Keng Swee the right to maintain an enforcement apparatus with police powers of search and seizure within Singapore as well as the general immunity from surveillance that went with such status.

It was also necessary, however, to have an outside base from which to launch smuggling operations and to have an excuse to purchase large quantities of raw opium without raising suspicion. The headman of the Seh Tan, one Tan Moh Yong, also said to be a close relative of Tan Keng Swee, reportedly bought shares in the farms of Riau, which at this time included about fourteen islands in the northern part of the archipelago just across the Singapore Strait. (e.g., Karimon, Bulang, Batam, Bentan, Sugi, Galang,

[16]CO273/119 G.D. No. 81, 4 March 1883, p. 355. Weld claims to have learned from Maharaja Abu Baker of the involvement of Cheang Hong Lim and Tan Hiok Nee in the conspiracy. See also, <u>Legco</u>, 28 February 1883, pp. 8-10.

Rempang and most of the adjacent islands) In December 1882, just before the new farming syndicate took over, a great deal of opium was exported to these islands for storage and even more was hidden in different parts of Singapore island.[17]

The onset of smuggling was almost immediate. Gulland described the beginning of the new farm's contract.

> Now, I take it that to pay $80,000 a month, the Farm must sell $3,700 worth of chandoo a day, but they took possession, on the 1st of January, to find that they could only sell to the extent of $800 worth a day, while the town was placarded with notices that chandoo could be bought at a certain place at the mouth of a river, at $9 per ten taels, the Farm price being $22 per ten taels.

The general sales of the farm were dismal. During January 1883, sales averaged between $900 and $1,000 per day, which was only about twenty-five percent of the break-even figure of $3,700. It was said that Chiu Sin Yong had lost $100,000 during that month alone. During the first week of February sales went from $910 on the first to $1.976 on the fifth, which was still fifty percent below the break-even point.

After a month of this Weld authorized a series of extraordinary measures and issued an Order in Council on February 5th which forbade the export of opium to the Malay Peninsula and the Netherlands Indies except under special permit from the

[17] Legco, 28 February 1883, p. 7; Appendix C, pp. 156-157; also, CO273/119, G.D. No. 73, 26 February 1883, Encl. Exco Minutes, 17 February 1883.

Colonial Secretary. He also authorized the seizure and confiscation of any ships found carrying contraband chandu and allowed the deportation of the leaders of the conspiracy.

The police, primarily the Inspector-General, Major S. Dunlop and the Protector of Chinese, William Pickering, conducted an investigation into the conspiracy. Apparently it was rather difficult to obtain evidence since some witnesses claimed they had been threatened with violence. However, the arrest of Koeh Sun Chai, the head chinteng of the spirit farm was apparently a breakthrough, and he was pressured to give evidence against his employers. Also, the police had been successful in getting the prominent Singapore merchant, Tan Kim Ching, to testify as to the nature of the conspiracy. The Governor also claimed that he had received information confirming the existence of a conspiracy from Maharaja Abu Bakar of Johor.

The police recommended that the Governor banish five individuals: Tan Eng Cheng, Tan Hiok Nee, Tan Moh Yong, Tan Ah Choh, and Tan Hock Seng. The first two were closely associated with the pepper and gambier trade and the last three were affiliated with the Seh Tan. All save Tan Hiok Nee were in fact deported. The banishment ordinance could not be used against Straits-born Chinese, so Tan Keng Swee and Cheang Hong Lim, who were also named as parties to the conspiracy could not be banished, and since there was no direct evidence of their involvement in smuggling, no charges could be filed against them.[18]

Despite questions, most of the European unofficial members of the Legislative Council tended to support Weld's action. Weld presented his side of the case quite forcefully and got a big round of applause at the end, stressing the need to suppress a "terrorist" conspiracy.

> We have not acted as upon a revenue question simply. It is not a revenue question, it is the question whether a powerful conspiracy should establish an opium ring -- a ring as bad as any New York ring -- and dictate to the Government ... It is a question who shall be supreme in this country, and a state of things which at any moment may lead to riot and bloodshed. We have been almost upon the eve of that, and I should think I had not done my duty in preserving the peace committed to me by the Queen.[19]

Even though it was apparent that the really wealthy men behind the conspiracy would not be deported, including Tan Hiok Nee, Weld spoke very decisively to the Legislative Council on the treatment the conspirators would receive from Government in the future. He spoke of the future of the farm under Chiu Sin Yong:

> Even were he ruined, one thing will never take place; he no doubt is always at liberty to strengthen his hands by taking into partnership even men who have been his rivals, as a

[18]The reasons for including Tan Hiok Nee are not entirely clear. Nowhere in the evidence was his role in the conspiracy spelled out, no did Johor seem to be used as a major smuggling base. There was clearly no attempt to banish Tan Hiok Nee, however, even though he was China-born.

[19]Legco, 28 February 1883, p. 10.

> private arrangement, but the Farm will never be transferred from him to the hands of those who have plotted against him. If he were broken tomorrow morning, those men should never have it, never, <u>never</u>! [much applause][20]

However, a careful reading of the quote shows that even at that time, he had left himself an out. The final solution was, in fact, to take the conspirators into partnership. Weld reported to the Colonial Office on April 10th on the new arrangement for the farms, which apparently had been put together with an assist from Abu Bakar. He noted that the Singapore farmer Chiu Sin Yong and Lee Chin Tuan (apparently the Johor opium farmer) had formed a partnership with Tan Keng Swee and Lim Cheng Wha. In later years, even one of the deportees, Tan Eng Cheng, not only returned to Singapore, but was a member of revenue farming kongsi in 1898. (Figure 2).

V. Internationalization of Chinese Capital

The difficulty over the Singapore opium farm arose at this time as a result of the colonial government's intention to extend its control not only over the farm, but also over Chinese society in general. It faced resistance from the company which had come to control the farms almost as a feudal privilege. The final triumph of the colonial system was to eliminate the "feudal" remnants that persisted, in this case the control of territory or a privilege by means of personal gangs and loyalties. It also

[20] Ibid., p. 11.

eliminated the monopoly which had been created by earlier government policies characterized by laissez-faire.

In order to accomplish this it was necessary to do two things, one was to break the internal power structure of Chinese society and alternatively to reduce everything to a cash value. The take-over of the farms, first by Koh Seang Tat in 1879, and then by Chiu Sin Yong in 1883, demonstrated that it was, in fact, possible to come in with little more than money and buy a monopoly which had heretofore depended on local, grassroots control. Their victories were, in some respects, hollow ones, since it appears that neither made very much money nor did they found enduring companies to hold the farms. Their names do not appear in the lists of partners in the Singapore farms in later years. On the other hand, the great syndicate likewise seems to have been broken. In the long run the government benefited as its ability to confer and withdraw the monopoly was reaffirmed.

The "great syndicate" was clearly a "pepper and gambier clique". The individuals involved in the conspiracy were all in one way or another linked to the old farm and to the pepper and gambier economic system. This was the basis of the "ring" that Weld spoke of. The fact its existence suggests that the agriculture had provided the financial foundation for a clique to form and dominate not only the farms but really the entire Chinese social order of Singapore in the 1870s. This social order included the farms, the secret societies, and the Kongkek and dominated an economic system that included nearly 100,000 people and extended beyond Singapore to the governments of Riau, Johor and Melaka. Its power continued long after the agriculture itself had ceased to be of major economic importance in Singapore. More importantly, it is probable that the planters and their coolies no longer made up the majority of opium consumers within the Singapore farming area, a factor which had been a major element in the strength of the pepper and gambier clique since the 1840s.

Another result of these events was the resurgence of the Melaka, or Straits Chinese. It is clear that between 1848 and 1886, no Melaka Chinese were involved as major holders of the revenue farms. One result of Kim Ching's evidence was to crack the power base of the Singapore syndicate and thus, intended or not, leave the way open for Straits Chinese to control the farms again. While the lists of the farm partnerships after 1886 are not complete, those that are available show the presence of at least one or two members of the Keng Tek Hue, perhaps the most exclusive club in the Straits, which was composed primarily of Melaka families.[21] Also a number of the later syndicates seem to have been organized by well-established Straits Chinese families from Singapore and Penang.

[21] Song, p. 29.

On the other hand, if the shifts in Singapore's social and economic system robbed the pepper and gambier clique of its monopoly similar changes taking place throughout the colonial world of Asia gave them new opportunities. If, in 1879, Koh Seang Tat could come down from Penang and buy the Singapore farms, then so too could Cheang Hong Lim go up and buy the Hongkong farms.[22] Actually, the indications are that he and his partners were no more successful in Hongkong than were their rivals in Singapore. In the midst of the Singapore smuggling crisis, the Straits Times carried a long notice from the Hongkong government announcing that since the government had not "... received what it considered a sufficient offer for the opium farm, [it] has taken the business under its own management."[23] The fact that the bids were all low suggest either a combination in Hongkong or else indicated that the previous farmer (Cheang Hong Lim) had lost money, or perhaps both.

The Hongkong government was unable hold the farm on its own and by 1886, the farms were back in private hands, interestingly enough, they were taken by Lee Keng Yam, who at the same time was also the holder of the Singapore farm.[24] From this time on, the history of the opium farm began to have less and less to do with

[22] STOJ, 1 February 1879. Hong Lim's partners were listed as "Gan Swee and Keng Ho".

[23] ST, 1 March 1883.

[24] Song, pp. 241-242.

the overall structure of the local society and simply depended on whoever could bring together the most money, no matter what the source. The records show that Singapore companies were involved not only in the Hongkong farms, but also in farms in Shanghai, Batavia, Deli, Bangkok and Saigon. At the same time, it became more and more common for outsiders from all over Southeast Asia and China to hold shares and sometimes even controlling interests in the Singapore farms.

The events surrounding the great opium conspiracy of 1883 help to bring into focus the changes that were taking place in the Chinese society and economy of Singapore. Perhaps the most telling long-term impact of the decline of the societies was the erosion of social and economic bonds that had formerly linked the elite to working class organizations. Workers' societies, which is what the secret societies had originally been, had already yielded much of their power to the mercantile leaders by the mid-1860s. The period of the 1870s and 1880s saw the abandonment of the societies by their leaders. They were becoming less and less dependent upon the local structure of the community and moving closer to the colonialist power structure. The leaders sought official respectability at the cost of popular power. As a result, the police and the state came to intervene between the triads and the upper levels of colonial society.

This development reinforced the power of the colonial state and at the same time the tendencies toward stratification within Singapore's Chinese community. In particular the differentiation of the Straits Chinese as an English-educated elite from the China-oriented, and what would become the Chinese-educated masses was certainly solidified by these events. While the Chinese/English split that characterizes Singapore society is a very complicated issue, one thing is clear. The defeat of the "conspiracy" really deprived the farmers of their ability to mobilize a grass roots organization, and thus of effective political power. This loss of legitimacy by the "traditional" or "indigenous" political order on the one hand left the Chinese masses as a whole much more open to modern political movements emanating from China itself and deprived them of a continuing role in the evolution of the local political structure which essentially persists to the present day.

THE END OF THE OPIUM FARM IN SIAM

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At the opening of the twentieth century, the revenue from the opium farms was by far the largest single source of income for the Siamese administration. In the year 1905/06 it yielded 10.26 m. baht out of a total government revenue of 51.66 m. baht, sufficient to cover the entire expenditure of the Ministries of Foreign Affairs, the Capital, Finance, Justice and Public Works. [1] Yet in January 1907 the administration was forced to abolish the principal opium farm (covering the whole of the kingdom except Phuket, Udon and the north-east) and itself take responsibility for that monopoly. The first part of this paper provides a brief account of the circumstances which led to that abolition. [2] The second will attempt to set the abolition in the context of some of the broad themes which underpin this conference.

I

When the kingdom's opium farms came up for auction in January 1902, control of the major central farm was won by a syndicate led by Luang Sawāmi Phakdī and Phrayā Thip Kōsā. [3] In March 1903 that syndicate took over the Phrae and Nan farms in the north; [4] later that year, at the suggestion of the syndicate, the Minister of Finance, Prince Mahit, agreed that when all the opium farms came up for reauction in 1905 the central and all the northern farms would be combined and auctioned as one contract. [5] As the potential return from the proposed central-northern farm was almost certain to be huge, fierce rivalry between the incumbent syndicate and the other major syndicates for the new contract was almost inevitable. When, in early 1905, Prince Mahit announced that in an attempt to increase the government's return from the opium farms (to meet the rapid expansion in the administration's expenditure), his Ministry would allow an increase in the retail price of opium from 1 April 1905, [6] a bitter struggle between the farm syndicates was certain.

The auction for the 1905/06-1907/08 contracts was held at the Ministry of Finance on 31 January 1905. [7] The contract for the amalgamated central-northern farm went to a syndicate led by Luang Sunthǭn Kōsā, Luang Damrong Thamasān and Luang Maitrīwānit which bid 8.8 m. baht per annum, an increase of practically 3.2 m. baht per annum over the combined bid for the central and northern farms in 1902. Luang Damrong Thamasān also had an interest in the syndicate that won control of the Chumphon and Nakorn Sritamarat farms, so that in effect members of one syndicate were responsible for the administration of the opium monopoly throughout the kingdom, except only Phuket, Udon and the north-east. That syndicate was commited to an annual payment of 9.44 m. baht. Informed opinion doubted whether, pledged to pay such a huge rental, the incoming farmers could secure a profit from the monopoly. [8]

Due to take control of the farm on 1 April 1905, in early February they wrote to Prince Mahit to request protection against possible retaliation by the defeated, but still incumbent, syndicate led by Phrayā Thip Kōsā and Luang Sawāmi Phakdī. [9] In particular they sought assurance that the Ministry of Finance would, as required by law, carry out a close inspection of the accounts and opium stocks of the retiring farmers and would then take steps to ensure that ownership of that stock was transferred to them, again as the law required. They feared that in the closing days of the existing contract, their defeated rivals would illegally flood the market with opium, and thereby destroy the monopoly. Prince Mahit replied that as far as the law allowed, the inspection and supervision requested would be carried out. [10] On 30 March 1905, the penultimate day of the old contract, a letter from 'Opium Holder' (in reality the retiring syndicate) was published in the Siam Observer, drawing attention to a small flaw in the regulations governing the opium farm. The relevant clause in the regulations was as follows:

> The outgoing Opium Farmer shall, on the expiration of his term, deliver his opium to the official furnished with these regulations.

> [If any person whosoever holds any quantity of opium] let him make a true statement of the quantity whether belonging to him or held in trust by him within 15 days....

The quotation above is a translation of the Siamese original. In the English translation of the regulation then in use in the British Consular Court, the phrase here placed in brackets had been accidentally omitted. In requiring that every person who had possession of opium at the termination of a contract declare their holdings to the officials supervising the transfer of the farm, the original Siamese regulation was intended to ensure that an accurate estimate could be made of the value of the opium already in the market as the transfer took place, the incoming farmer then being recompensed by the retiring farmer on the basis of that estimate. The effect of the omission in the English text used by the British Consular Court, as the letter to the Siam Observer keenly pointed out, was to remove from opium smokers who were British subjects the legal obligation to declare their holdings of opium. In other words it was open for the outgoing syndicate to sell their remaining stocks of opium to persons enjoying British extra-territorial status and so flood the market without contravening the law. The assurances given to the incoming syndicate by Prince Mahit in early February were therefore valueless. At the close of March the Luang Sawāmi Phakdī-Phrayā Thip Kōsā syndicate put 600,000 taels of opium into the market without compensating the incoming farmers; [11] none of the old syndicate's stock was sold to their successors. [1
The sales of the incoming syndicate were ruined.

That syndicate comprised two main factions - a number of Bangkok-based farmers, including Luang Thamasān, Luang Sunthǭn Kōsā and Luang Maitrīwānit, and a group of Penang farmers led by Chia Choo Yew. The latter had provided the major part of the capital for the syndicate and indeed it was on account of this outside alliance that the Bangkok farmers had been in a position to bid so highly for the major opium contract in January 1905. With the farm's monopoly ruined by the action of the retiring farmers, this syndicate rapidly began to disintegrate. As early as 6 April, Chia Choo Yew took over the actual management of the farm from the Bangkok farmers. [13] But the Penang group refused to commit further capital to the venture on the grounds that the Bangkok partners had yet to invest their agreed share: for their part, the Bangkok farmers were reluctant to put their limited resources in a farm now under the management of Chia Choo Yew. [14] By mid-May it was clear that unless the syndicate could resolve its internal divisions it would be impossible for it to meet its exceptionally high monthly payments to the government. Over the period April-June 1905 the syndicate lost 840,000 baht. [15]

In late July the syndicate wrote to Prince Mahit requesting a reduction in the rental on the farm. [16] The Minister was unsympathetic: indeed he took the opportunity to point out that if the farmers failed to pay their contracted instalments in full, the Ministry of Finance was required by law to reauction the farm, making the retiring syndicate responsible for the government's losses. After paying only half the June instalment the syndicate could make no payment for July. [17] Immediately the Minister recommended to the King that the farm be reauctioned and the date was set for 7 August. The Minister of Finance was then approached by the Bangkok members of the syndicate: they were willing to pay the full contract price for the farm if the government would extend their contract for a further year, until March 1909. [18] Prince Mahit was willing to accept these revised terms. He saw that by reauctioning the farm, the government was certain to suffer a fall in its price: then, by attempting to secure compensation from the retiring syndicate for this loss, the administration would become entangled in endless litigation that would leave the farmers bankrupt and the government without adequate compensation. It made more sense to give the syndicate more time.

There was one stumbling block - the Penang group refused to support the terms proposed by their Bangkok partners. [19] They were intent on a far more advantageous settlement. In the first week of August Chia Choo Yew saw Ralph Paget, the British Minister, and informed him that his group were considering taking legal action against the Siamese Government for breach of contract. [20] Siamese law clearly stated that on the transfer of the opium farm to a new syndicate, each opium smoker had to declare to the responsible officials the amount of opium in his possession in order that the incoming farmers might be compensated by their predecessors for the volume of opium already in the market. Because of the flaw in the British Consular Court version of the law, the Luang Sawāmi Phakdī-Phrayā Thip Kōsā syndicate had been able to circumvent that requirement and flood the market with opium without compensating their successors. In other words the Siamese Government had failed to secure the monopoly position of the new syndicate (as their contract with the syndicate stated they would) and the farmers had been ruined. On 9 August, Chia Choo Yew, accompanied by his lawyer, saw the government's general adviser, Strobel, and put forward his own terms: an extension of the syndicate's contract until March 1909 and a 3.0 m. baht interest free loan from the government. [21] The Penang group were establishing a strong bargaining position.

In advising the government, Strobel made clear that the administration must at all costs avoid a legal action it was certain to lose, [22] and he recommended that the Ministry of Finance seek to have the Penang group bought out by local farmers. [23] Prince Mahit agreed that it was essential for the government to secure the withdrawal of Chia Choo Yew and his Penang associates. [24] Were the Ministry of Finance to agree to a renegotiation of the terms of the existing contract along the lines proposed by the Penang group, in future all tax farmers in financial difficulties would press the government for relief. Through Luang Sōphonphetcharat (Kim Seng Lee), a Bangkok member of the syndicate (and a business associate of the Minister of Finance in the recently established Siam Commercial Bank), Prince Mahit had learnt that Chia Choo Yew was willing to withdraw on payment of 935,000 baht. No Bangkok farmers could find that sum. It remained only for the government itself to buy out the Penang group and to appoint one of its own officials to the syndicate to represent its new interest.

Another consideration drove Prince Mahit to this conclusion. As the Minister noted in a letter to the King, recent events had demonstrated that the only way for the government to ensure the stability of its revenue from opium was for it to abolish the farm and itself take over the monopoly of opium sales in the kingdom. [25] The revenue from the farm was now so large that few syndicates had the capital resources sufficient to bid at auction; certainly no single farmer could compete. Moreover the potential profits to be made from the successful administration of the farm were also so huge that fierce, mutually destructive, rivalry between syndicates was now common. Of course one solution would be to redivide the monopoly into a number of smaller individual farms, each within the resources of the farmers, but Prince Mahit felt that such division led to a considerable drop in the government's total revenue from the monopoly. [26] In short the opium farm structure was on the verge of collapse. But was the government yet in a position to abolish that structure and itself take over the administration of the opium monopoly? Prince Mahit was confident that the government administration (particularly that in the provinces) was now sufficiently strong to take on that major responsibility. The Minister's only substantial fear was that his officials clearly had had no experience of running the monopoly; but this obstacle could be overcome by having the government buy out the Penang group. By allowing the incumbent syndicate to continue administering the opium farm for, say, a further four years but with government officials taking the place of Chia Choo Yew and his associates, the Ministry of Finance would have an excellent opportunity to train its personnel (and to prepare buildings and equipment) for the time when full control of the monopoly would pass to the government. [27] The King approved this strategy. [28]

On 16 August Chia Choo Yew accepted a government offer of 752,000 baht for his share in the opium farm syndicate, agreeing in return to abandon his threatened legal action against the government for breach of contract. [29] Officials from the Ministry of Finance now took the place of Chia Choo Yew and his associates. [30] But having seen the Penang group depart, the remaining Bangkok farmers now began to think of escape. At the end of August 1905, Luang Sunthǭn Kōsā and Phra Phakdī petitioned the King for permission to leave the opium syndicate on the grounds that they were financially ruined. [31] They argued that as the Penang farmers (British subjects) had been allowed to withdraw without loss, it was unjust to expect them (Siamese subjects) to remain and suffer the full cost of the syndicate's failure. In these circumstances the government's obvious course of action would have been to abolish the farm immediately and assume complete responsibility for the administration of the opium monopoly forthwith. There were two arguments against that. The government would clearly wish to take over the monopoly only when the latter was in a considerably more stable condition than it then was. Second, as Prince Mahit had recognized earlier in the month, his Ministry required time (some three or four years) to prepare itself for this new responsibility. [32] In short a new syndicate had to be found. Phrayā Thip Kōsā could now step forward. He had successfully taken revenge on those farmers who had defeated him at the January 1905 auction.

In late August 1905 Prince Mahit invited Phrayā Thip Kōsā to discuss the conditions upon which he would consider taking over the monopoly. [33] After considerable bargaining, the terms were settled. The rental would be 8.8 m. baht per annum, the sum bid by the now-departing syndicate in January. The contract would run for five years (April 1905 - March 1910), instead of the usual three. The Ministry of Finance would allow Phrayā Thip Kōsā a credit of 2.0 m. baht, to be repaid in the final two years of the contract. Phrayā Thip Kōsā was to be responsible for the government's losses incurred with respect to the monopoly from April 1905, estimated at 1.2 m. baht. The farm was to be administered solely by Siamese subjects. [34]

Almost from the first the Phrayā Thip Kōsā syndicate lost money. A number of influences were at work here. First, the opium farm was now so large that the syndicate were forced to sub-let many provincial areas to local concessionaires; but the latter soon found it more profitable to become outlets for illegal opium, with the result that the legitimate sales of the syndicate sharply declined. [35] Second, in late 1905 Phrayā Thip Kōsā saw his own ruse employed against him when Phra Phakdī and Luang Sunthǭn Kōsā, seeking revenge, placed their remaining stock of opium onto the market. [36] The syndicate's sales were further damaged by a sharp increase in the trade in smuggled opium, [37] and by the government's closure of the provincial gambling dens between 1905 and 1907 [38] (for the two vices had tended to take strength from each other). In October 1906, barely one year after taking possession of the farm, the Phrayā Thip Kōsā syndicate informed the King that they were in serious financial difficulties; they sought a revision of the terms of their contract. [39]

This latest crisis in the opium farm confronted a new Minister of Finance, Phrayā Suriyānuwat. The Minister would not accept an easing of the syndicate's terms, not least because even at a lower rental there could be no assurance that the farmers would not continue to fall into arrears. [40] The law required that the farm therefore be reauctioned, but the Minister's discreet enquiries among the remaining tax farmers had suggested that in that event the farm might attract as little as 6.5 m. baht per annum, compared with the 8.8 m. baht which Phrayā Thip Kōsā was contracted to pay. The fact was that as a result of the crises of the preceding eighteen months, no syndicate was likely to bid for the opium farm on terms acceptable to the government. There was no alternative but to abolish the farm. On 10 January 1907 the Council of Ministers confirmed this decision, [41] and on 19 January two senior official of the Ministry of Finance, accompanied by a large police contingent, went to the Bangkok offices of the opium syndicate and took possession of the monopoly on behalf of the government. [42]

II

Perhaps the most effective way to attempt to relate the preceding description of the end of the opium farm in Siam to some of the broad themes under consideration at this conference is by means of John Butcher's 1983 paper on the end of the revenue farm system in the Federated Malay States. [43] At first sight (perhaps after longer consideration as well) the prospect of instructive comparison between the experience of Siam and that of the FMS in this respect appears to be unpromising: in the case of the British territory, the revenue farms, operating with relative efficiency and stability, were brought to an end by a well-prepared government intervention; in Siam the opium farm collapsed, forcing abolition on an ill-prepared administration. Yet, in the long perspective, the Siamese government too sought the end of revenue farming in its domain, although there were marked differences in the nature and strength of its ambitions in this respect compared with that of the British administration. It is in exploring those differences that John Butcher's framework may have its value.

Butcher's principal innovation has been to set the end of the revenue farm system in the FMS at the opening of the twentieth century in the context of the relationship between British administration and Chinese capital. In the closing decades of the nineteenth century the (Chinese-controlled) farms had been seen by the administration as an important instrument by which Chinese capital and labour might be drawn into the Malay States; they were a major element in the creation of a vigorously expanding export economy. Then, at the opening of the twentieth century, with the emerging importance of western capital in the tin industry and, more importantly, the establishment (in rubber) of a major new export dominated by western capital and entrepreneurship, that earlier role faded. The colonial administration came to see the farms simply as a means to collect revenue (and not a particularly efficient one) and thus turned to abolish them. The relationship between political authority and Chinese capital was very different in Siam (although the precise nature of that relationship remains a matter of considerable controversy in the literature). First, Chinese capital and labour contributed only marginally to actual production for export in late nineteenth and early twentieth century Siam. It was, of course, dominant in the mining of tin in the peninsula, but tin was an export of only minor importance in this period. Chinese capital and labour were not involved in the far more important cultivation of rice for export, which drew almost exclusively on indigenous sources. Thus the major farms, financed by Chinese capital and largely dependent on the patronage of the Chinese labouring population, would pay no direct part in the crucially important opening of the Chao Phrayā Delta to export production. It follows (and this is the second observation) that at no point did Chinese capital stand as a rival to private political élite involvement in export production (as notably in investment by the Bangkok administrative élite in the premier rice district at Rangsit). Indeed, (and this is the crucial observation), in this period the private economic interests of Siamese political authority were in general drawn into a dependent rather than combative relationship with Chinese capital: to be more specific, on an important number of occasions the private economic ambitions of the Siamese administrative élite were capitalized by the Chinese merchant/tax-farmer community.

A particularly fine example of that relationship occurred in the early 1900s, immediately prior to the disintegration of the opium farm. In 1904 the Minister of Finance, Prince Mahit, acting in a private capacity, established the first indigenous bank in the kingdom, initially called the 'Book Club' but from 1907 the Siam Commercial Bank. [44] The initial capital was raised by the Prince from within the Chinese merchant/tax-farmer community in Bangkok. Even when the bank's capital was greatly expanded in early 1906, drawing in the participation of the Privy Purse and of German and Danish banks, the merchant/tax-farmer partners still accounted for the largest single block of shares; three of their number became directors of the bank in this later expansion. As was noted briefly above, one of those directors, Luang Sōphonphetcharat (Kim Seng Lee) was also a member of the Luang Sunthǭn Kōsā syndicate which took control of the main opium monopoly in April 1905; and indeed Prince Mahit used that connection to negotiate with the disaffected Penang farmers a few months later. This alliance between Minister of Finance and tax-farmers was reinforced by the fact that the new bank was highly dependent on the Bangkok Chinese merchant community for its business: and in a broader aspect, the alliance of Siamese political authority and Chinese capital was secured by the fact that over time prominent members of the Chinese merchant class were brought into the Siamese political-administrative structure by the award of Siamese official titles and by the application of varied, powerful pressures towards assimilation.

The considerable dependence of Prince Mahit (responsible for the government's administration of the kingdom's revenue farms in this same crucial period) upon prominent tax-farmers for the capitalization of his private business ambitions presumably constituted a political interest in the maintenance of the tax farm structure. But that interest must not be exaggerated, for there were other influences at work. First, by the early 1900s (before the collapse of the opium farm), Chinese capital itself was turning away from revenue farming towards other, new, forms of commercial enterprise, notably of course banking: important here was not only the Siam Commercial Bank but also the Chino-Siam Bank founded in 1908. [45] In other words, increasingly the dependence of the private commercial ambitions of the Siamese political élite on Chinese capital no longer meant a dependence on the major (Chinese-controlled) tax farms. Second, whatever advantages that élite may have drawn, privately and indirectly, from the capital created by the farms, these were increasingly outweighed by the serious disadvantages the farm structure brought to government administration. This last point should require little explanation. By the early 1900s the Siamese authorities were sufficiently disturbed by the fact that the administration was so heavily dependent on the principal farms (and in practice, on a very few powerful tax farming syndicates) for its revenue; that that revenue was now increasingly threatened by the instability of the farms as the syndicates fought for control of them; and by the fact that the principal farms (involving opium, spirits and gambling) could be said to encourage social disorder, that serious consideration was now given to their abolition. That the government did not seriously <u>prepare</u> for that abolition (until forced to do so by the mounting crisis in the opium monopoly) reflected less the fact that some prominent members of the administration had established a close dependent relationship with tax farmers than that there were serious doubts as to whether the government administrative structure was sufficiently secure and experienced to take responsibility for the management of these major monopolies. The considerable confusion which attended early government administration of the opium monopoly would suggest that those doubts were justified. [46]

III

Thus, in the 1900s the Siamese administration was considerably less confident at the prospect of the abolition of the principal tax farms than was the British administration in the FMS; and unlike the colonial government to the south was not under pressure from changing economic and commercial conditions to move towards abolition. Indeed in Siam those conditions may (to a limited extent) have actually encouraged the maintenance of the principal farms. Whatever the longer-term ambitions and interests of the Siamese administration with respect to the tax farms, the principal one, the opium farm, was brought to an end by its internal disintegration and collapse, by circumstances which appear to be distinct to Siam. This conclusion may well disappoint a gathering eager to identify common themes and patterns.

Notes

1] Report of the Financial Adviser on the Budget of the Kingdom of Siam for the Year 1907-08, p. 19

2] This is an abbreviated version of chapter 7 of my 'The Ministry of Finance and the early development of modern financial administration in Siam, 1885-1910', PhD diss., University of London, 1975.

3] Mahit to Chulalongkorn, 14 January 1902, National Archives, Bangkok [NA], Fifth Reign [r5], Ministry of Finance [Kh], 14.1k/24.

4] Mahit to Chulalongkorn, 13 March 1903, NA r5 Kh 14.1k/25.

5] Mahit to Chulalongkorn, 19 December 1903, 2 January 1904, NA r5 Kh 14.1k/25.

6] Mahit to Chulalongkorn, 5 January 1905, NA r5 Kh 14.1k/23.

7] Mahit to Chulalongkorn, 2 February 1905, NA r5 Kh 14.1k/24.

8] Bangkok Times, 3 February 1905.

9] Syndicate to Mahit, 2 February 1905, NA r5 Kh 14.1k/27.

10] Mahit to Sommot, February 1905, NA r5 Kh 14.1k/27.

11] Strobel to Devawongse, 6 August 1905, NA Office of the Financial Adviser [K Kh] 0301.1.6/3.

12] Case in the British Consular Court, Rex v Serang Ali, May 1905. Enclosed with Mahit to Chulalongkorn, 29 July 1905, NA r5 Kh 14.1k/28.

13] Bangkok farmers to Mǫm Anuwongwarophan, 6 April 1905, NA r5 Kh 14.1k/28.

14] Mahit to Sommot, 25 May 1905, NA r5 Kh 14.1k/28.

15] Mahit to Chulalongkorn, 29 July 1905, NA r5 Kh 14.1k/28.

16] Ibid.

17] Mahit to Chulalongkorn, 1 August 1905, NA r5 Kh 14.1k/28.

18] Mahit to Chulalongkorn, 5 August 1905, NA r5 Kh 14.1k/28.

19] Mǫm čhao Pīya Phakdī to Hart, August 1905, NA K Kh 0301.1.6/3.

20] Strobel to Devawongse, 6 August 1905, NA K Kh 0301.1.6/3.

21] Memorandum. Strobel, 10 August 1905, NA r5 Kh 14.1k/28.

22] 'On the possible liability of the Siamese Government on a claim presented by British subjects interested in the opium farm', Strobel, 10 August 1905, NA r5 Kh 14.1k/28; NA K Kh 0301.1.6/3.

23] Memorandum. Strobel, 10 August 1905, NA r5 Kh 14.1k/28.

24] Mahit to Chulalongkorn, 11 August 1905, NA r5 Kh 14.1k/28.

25] Ibid.

26] This appears to have been largely a matter of economies of scale. The substantial administrative structures which were part of the principal syndicates meant that the latter could operate economically only if they controlled a large section of the monopoly. For this reason there had been a strong movement, on the part of the syndicates themselves, towards the amalgamation of farms in the early 1900s.

27] Mahit to Chulalongkorn, 11 August 1905, NA r5 Kh 14.1k/28.

28] Chulalongkorn to Mahit, 12 August 1905, NA r5 Kh 14.1k/28.

29] Strobel to Mahit, 15 August 1905, NA K Kh 0301.1.6/3; 16 August 1905, NA r5 Kh 14.1k/28.

30] Mahit to Chulalongkorn, 13 August 1905, NA r5 Kh 14.1k/28.

31] Luang Sunthǫn Kōsā to Chulalongkorn, 27 August 1905; Phra Phakdī to Chulalongkorn, 28 August 1905, NA r5 Kh 14.1k/31.

32] Mahit to Chulalongkorn, 28 August 1905, NA r5 Kh 14.1k/28.

33] Williamson to Phrayā Suriyānuwat, 21 March 1907, NA K Kh 0301.1.6/9.

34] Mahit to Chulalongkorn, 28 August 1905, NA r5 Kh 14.1k/28.

35] Report on a meeting at the house of Phrayā Suriyānuwat, 24 December 1907, NA r5 Kh 14.1k/39.

36] Report on a meeting at the house of Phrayā Suriyānuwat, 23 December 1907, NA r5 Kh 14.1k/39.

37] Petition from the Phrayā Thip Kōsā syndicate to Chulalongkorn, 20 December 1906, NA r5 Kh 14.1k/33.

38] Petition from the Phrayā Thip Kōsā syndicate to Chulalongkorn, 8 October 1906, NA r5 Kh 14.1k/33.

39] Ibid.

40] Phrayā Suriyānuwat to Chulalongkorn, 31 December 1906, NA r5 Kh 14.1k/35.

41] Memorandum. Prince Vajiravudh, 10 January 1907, NA r5 Kh 14.1k/35.

42] Bangkok Times, 21 January 1907. It might be noted again that the government took possession only of that part of the monopoly administered by the Phrayā Thip Kōsā syndicate. The remaining (small) farms, in Phuket, Udon and the north-east, were themselves abolished in 1908 and 1909. [Report of the Financial Adviser on the Budget of the Kingdom of Siam for the Year 1909-10, p. 7; Chanthaburī to Chulalongkorn, 29 December 1908, NA r5 Kh 14.1k/39]

43] John G. Butcher, 'The Demise of the Revenue Farm System in the Federated Malay States', Modern Asian Studies, 17, 3 (1983), pp. 387-412.

44] Ian Brown, The Élite and the Economy in Siam c1890-1920 (Oxford University Press, Singapore, 1988), chapter 4.

45] A very detailed, and most impressive, account and analysis of Chinese commercial interests in Siam from the middle of the nineteenth century has been undertaken by Akira Suehiro in a monograph, Capital Accumulation in Thailand: 1855-1985 which is to be published by the Centre for East Asian Cultural Studies, Tokyo, later this year. A broad outline of his analysis appears in his 'Development of Capitalist Groups in Thailand', Osaka City University Economic Review, 23 (1988), pp. 19-37. Suehiro's major work should make clear the directions in which Chinese capital diversified after the principal farms were abolished, the roles which the farms played in the evolution of a Chinese or Sino-Siamese business class in Siam.

46] Early government administration of the opium farm is considered in Ian Brown, 'The Ministry of Finance and the early development of modern financial administration in Siam, 1885-1910', PhD diss., University of London, 1975, pp. 291-306.

"Revenue Farming and Southeast Asian Transitions"

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SOME ASPECTS OF REVENUE FARMING IN THE NETHERLANDS EAST INDIES 1816-1920s

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NOTE:

This paper is very much part of "work in progress" and no footnotes or references are provided apart from a short bibliography.

Introduction

Before describing some aspects of the revenue farming systems in operation during the period of Dutch colonial rule in the Indonesian archipelago some generalised remarks may be in order.

The institution of revenue farming is almost as old as the institution of taxation. It has existed in some form in all societies which developed some type of centralised government. Originally the offering of tribute to secular or spiritual overlords may have been largely voluntary in return for physical protection or as an expression of reverence. With the extension of territory the growing social distance between ruler and subjects made collection increasingly difficult and impersonal. The cost of warfare, whether tribal, domanial, national, colonial or imperial increased and with it the cost of a growing governing class of administrators and keepers of the peace. The maintenance of status accompanied by ritual display also became increasingly expensive. It all had to be paid for. Voluntary contributions and customary dues came to be replaced by taxes and levies. Sometimes these were negotiated but often were extracted by extortion or expropriation. In the process of transformation from a feudal or domanial society to the nation state, monarchal rule had to depend on the support of a coterie of officials whose loyalty had to be assured through the granting of estates, privileges, perquisites, charters or monopolies. The gradual alienation of the royal domain, the erosion of royal prerogative and the sale of offices resulted in a reduction of revenue to the crown. This could to some extent be offset by the introduction of new direct taxes on land, houses or persons and indirect taxes on goods in transit at clearly defined markets and ports. In times of external wars, internal rebellion or royal profligacy the demands on the treasury exceeded revenue. There were several methods of raising revenue but each had its specific problems. Seigneurage on the issue of new coins or debasement caused financial instability in the long run. Borrowing from bankers and merchants provided temporary relief but often led to bankruptcy. Increased taxation was resented causing problems in regard to its collection and sometimes leading to rebellion.

The larger the extent of the territory and number of people subjected to taxation the more difficult extraction became and the longer it took. Revenue became available only in a piecemeal fashion and generally did not fulfil expectations especially in times of turmoil or declining economic activity. Another serious problem was the shortage of dependable tax collectors who all too easily succumbed to corruption and peculation.

To some extent these problems were overcome by the sale of an office (e.g. that of a commissioner of excises and duties) or by selling the right to collect taxes in a specified area for a lump sum or against payment of a sum in advance for a number of years. This has become known as the "farming" of revenue. Often the words "farm" and "farmer" are used without it being quite clear what in fact was farmed. Nowadays the word 'farmer' is used to describe any person who cultivates land even if it is privately owned. Originally, and in a strict legal sense the concept applied only to the person who held title to the land and who let it out on farm to the cultivator against a fixed rent. In former times the word 'farm' also applied to anything that was let out against a fixed payment, such as: the rights to mining, hunting, fishing, lumbering, trading, or manufacturing as well as the right to collect taxes on consumption (e.g. tobacco, salt, opium), on transport of goods (tolls, ferries, ports and markets), on persons (head tax) or on houses (hearthtax, windowtax). Indeed the etymological origin of the word can be traced through French (ferme) to the Latin 'firmare' (= fix, settle, contract for) and 'firma'

(= fixed payment). Similarly the German and Dutch words 'pacht' and 'pachter' had their origin in the Latin word 'pactum'.

The system of tax and revenue farming was resorted to by governments in times of financial stress for reasons mentioned earlier in order to raise large amounts of money quickly and without having to pay interest. In the short run this appeared attractive especially when competing tax farmers raised their bids. It had the further advantage that resentment among taxpayers was deflected from the central government since it became focused upon individual tax collectors especially when they were foreign to the region.

The disadvantages were many. The ease by which the crown could obtain revenue in advance at predictable intervals made continuation almost inevitable. The serious economic, social and moral dangers however were recognised by many. Among these were Montesquieu and J.B. Say in France and of course the most famous of all: Adam Smith whose work is still worth reading in this context.

It is interesting to note that the practice of revenue farming in England had come to an end by the mid 1680s, in Holland in 1749 but that in France it lasted until the Revolution. A unique solution was found in England when the national debt was taken over by a group of merchants who established the Bank of England. From then onwards the banking system provided the mechanism of credit which accommodated both the needs of the government and those of an expanding network of trade and industry. This went together with the gradual emergence of a salaried, independent, and largely incorruptible public service which was subject to financial audit.

This brief introduction has attempted to show that the institution of revenue farming was widespread and has a long history. Although it was almost completely abolished in countries which adopted a system of parliamentary democracy, some remnants still exist. One has to look no further than Australia's Lotto, Pools and casinos, to see, that gambling in its many forms is let out to private syndicates against payment of a licence fee and a share in the profits.

The following case study will shed some light on the question as to why the system of revenue farming was maintained for so much longer by European colonial administrations when it had been abolished in the respective 'mother countries'.

SOME ASPECTS OF REVENUE FARMING

IN THE NETHERLANDS EAST INDIES, 1816-1920s

Before proceeding to a description of some specific revenue farms it is necessary to state that it is not possible to speak of a uniform system of revenue farming. There were many separate farms. Each had a different reason for its introduction and for its eventual abolition. There were variations as to their incidence on different sections of the population. Some had a wide application, others only affected small areas.

There is no doubt that before the arrival of the Europeans some rights and levies were already being let out on farm by local rulers. Also, there is evidence that some revenue farms were held by Chinese as early as the fifteenth century.

After the arrival of the V.O.C. and with the growth of its commercial power, suzerain rights were soon acquired over territories which extended beyond its trading posts. However, autochtonic rulers, their apanage holders and the Regents were largely left to their own devices as long as deliveries of pepper, rice, etc. were forthcoming.

The V.O.C. being a trading company was ambivalent in its attitude in regard to the rights of revenue farming it had assumed. It attempted, successfully in some instances, to abolish the "sabanterijen" (import and export tolls) on the Northern coast of Java as these adversely affected its commercial interests. Already it was recognised that the vexatious extortions by Chinese farmers should not be tolerated. In its own territory of the environs (Ommelanden) of Batavia several small farms were allowed as a matter of expediency to provide revenue for its local administration (a headtax on Chinese, taxes on gambling, salt, meat and fishmarkets). The right to operate pawnshops or lending banks was not farmed out.

In 1747 the V.O.C. experimented with an opium farm, awarding it to a Chinese. It lasted only three months due to the abuses to which it gave rise. The local opium trade was placed in the hands of the "Amphioen Societeit", the shares of which were held by servants of the Company. This was done to control smuggling in an attempt to maintain the monopoly import trade in opium from Bengal. It was liquidated in 1794.

The V.O.C. was declared bankrupt in 1798 and its legacy, including its debts, devolved upon the Batavian Republic and the Kingdom under Louis Napoleon which in 1810 was incorporated into the French Empire. This led to the occupation of the colonies by the English from 1811 to 1816. During this whole period of colonial transition chaos reigned, both politically and financially. Nonetheless fundamental changes occurred which were important for the future. Daendels, during his 1806-1811 period of office, reorganised the colonial administration, by declaring sovereignty over the lands previously held by the V.O.C. Henceforth the Regents were to be servants of the government. Labour services had to be rendered direct to the government and deliveries of produce were increased. To obtain finance, in the absence of revenue from trade, paper money was issued on a large scale and extensive tracts of land sold, the so-called 'Private Estates' (Particuliere Landerijen) including the attached domanial rights. Daendels also officially abolished the ceremony which had required government officials to pay homage to the Sultan of Yogyakarta. Thus the Javanese rulers' full sovereign status was no longer recognised. This led to resentment and open revolt which was suppressed with military force by Raffles in 1815.

In order to stimulate cultivation and trade Raffles hoped to abolish forced deliveries and labour services and replace them with a landtax, payable in money. Revenue farming in respect to the distribution and sale of salt was abolished and turned into a government monopoly. The intended elimination of the opium farm, which had been introduced by Daendels, was abandoned after receipt of a stern directive from the Bengal Presidency not to interfere in the opium trade.

In 1816 the East Indian possessions were returned to the Dutch. Although these included the whole of the Indonesian archipelago, Java was the most important because effective rule over the so-called "Outer Possessions" had not yet been established. Nevertheless full sovereignty and eminent domain was asserted and vested in the person of the King of the Netherlands. This lasted until 1848 when a new constitution placed sovereignty in the State and colonial affairs were made subject to scrutiny by Parliament.

Upon arrival in 1816 of the King's Commissioners General on Java they found the colonial treasury empty. Although they brought two million guilders in cash this was soon exhausted and forced the issue of paper money, large quantities of copper coins and promissory notes. Loans were obtained from a Calcutta banking house and from the Dutch Treasury. f.8 million was borrowed in 1824 from the Netherlands Trading Society (N.H.M. even before it had commenced trading! The N.H.M. had been established in that same year with a paid-up capital of f.21 million of which the King personally had contributed f.4 million.

By 1826 the colonial administration had accumulated a debt of f.37.7 million. During the period 1816-1826 the Indies incurred expenditures of f.215.2 million against local receipts of f.200.7 million which after taking into account a small revenue gained in the Netherlands, left a deficit balance on current account of f.11.1 million. Of the revenue f.50.7 million was derived from landtax, f.17.5 million from the opium farm and f.14.3 million from the smaller revenue farms. Deliveries of products had been disappointing and trade had not revived to the extent which had been hoped. The N.H.M. only made a profit of f.6 million in the period of 1825-1833 of which half was derived from its import monopoly of opium and the licence to sell opium to Java. The right to sell opium in retail was let out to Chinese farmers.

The financial situation was precarious and worsened with the outbreak of the Java War (1825-1830). There were many causes leading to the revolt. The Sultans, their families and retainers had suffered a great reduction in status, had lost revenue and lands and faced internal dynastic struggles. A contending prince, placing himself in the lead of the rebellion against the Dutch and their supporters, also turned it into an Islamic Holy War. One of the underlying economic reasons for the discontent among the population at large had been the oppressive nature of the tollgate taxes. The right to levy these had been vested in the colonial government during the English interregnum. Initially the licence fee only had to cover the fixed annual compensation payable to the Sultan. Subsequently the Dutch Residents put the tollgate tax farm up for auction among Chinese contenders. This had the result that the amount of farm fees were driven up, tollgates proliferated and the population was subjected to extortionate financial exploitation and harassment. The revenue collected more than doubled in the period 1817-1826 when a total amount of over f.7.5 million flowed into the government's coffers, in addition to the amount of revenue from other farms mentioned earlier. The farm was abolished in 1826.

If the financial situation in the colony appeared deplorable, it was calamitous in Holland. The national debt in 1816 amounted to approximately f.1,375 million. The interest payments were crippling, at times taking between one third and one half of revenue on current account. The Belgian War of Secession only exacerbated the situation.

In 1830 the Cultivation System was introduced with the intention of increasing exports, stimulating trade, providing a market for Dutch manufactures and enabling it to repay the loans entered into on behalf of the colony. The Cultivation System fulfilled expectations. From 1834 onwards it contributed an amount of at least f.800 million in "Surplus Balances" to the Dutch Treasury. During the next forty years this helped to reduce the national debt and contributed to the building of an economic infrastructure in the Netherlands.

In the barest of outlines the Cultivation System was based on the exploitation of the customary domanial labour services which, as a result of occupation and conquest, now had to be rendered to the King of the Netherlands upon his high command. In principle these labour services (heerendiensten) whether used for maintenance of roads, irrigation works, etc., or for the growing of crops on part of the village lands remained unpaid. However the crops which were grown were "sold" to the Government at a fixed price well below world market price.

In order to make this "system" work it was also assumed that the right of possession to land was vested in the village (communaal bezit) which made supervision of the deliveries possible through the ancient office of the Bupati (Regent) who was entitled to a percentage of the value of the crops. In addition he was left in control of part of the land and labour services for his own use.

In conjunction with the requirements of the Cultivation System the levy of the landtax (landrente) introduced by Raffles was also maintained. The responsibility for the collection of this tax was relegated to the village heads. In turn the administration of all this was supervised by Dutch Residents, Controllers and Assistant Controllers.

The result was that, in essence, the whole of Java was turned into one huge revenue farm which extracted not only taxes but also produce for sale by the government. The island of Java was considered a "province" yielding "profit" (Wingewest). The transfer mechanism was provided by the N.H.M. which was given the monopoly of the shipment and auctioning of the products in Holland.

As a consequence the colonial government suffered from a deficit on its balance of payments since its total local cash expenditure exceeded its cash income. This is illustrated by the following tables.

Table 1

Summary Statement of Colonial Revenue and Expenditure 1848-1866 (in million guilders)

Income			
1.	Sale of products in Holland	970.6	
	" " " " Indies	125.8	
	Total		1096.4
2.	Gross Revenue opium farm	176.9	
	" " other tax farms	55.7	
	" " salt monopoly	100.5	
	Total		333.1
3.	Land tax		191.6
4.	Import and export duties		140.3
5.	Other		136.4
	Total income		1,897.8
Expenditure			
1.	Acquisition of products		477.9
2.	Cost of general administration		488.8
3.	Armed forces		349.2
4.	Cost of opium and salt		55.5
	Total expenditure		1,371.4

Most of the expenditure, namely f.1,242.5 million was incurred in the Indies, but less than half of the income or f.927.2 million was collected locally. Over the whole of the period, during the height of the Cultivation System, the colonial administration was facing a severe cash flow problem. The shortfall amounted to f.315.3 million. The revenue obtained from the sale of products remained in Holland. The so-called "contribution from the Indies" or "Colonial Surplus" for this period amounted to f.526.4 million where it was used to bolster the Dutch revenue assisting in the amortisation of the National Debt.

Under pressure of liberal elements in Dutch Parliament in conjunction with demands from private commercial interests for the abolition of the monopolies held by the government and the N.H.M. the "contributions from the Indies" had virtually disappeared by 1875. To a large extent this was the result of the "Agrarian Act" (Agrarische Wet) passed in 1870. With it a reformulation of ownership of land (eigendom) and possession of land (bezit) took place. Non-indigenous persons now could acquire cultivation rights, but never own the land. Long term leases (erfpacht) could be obtained from the government, while annual leases (huur) had to be negotiated with villagers. The legal basis thus had been laid for the development of large estates and plantations operated by private interests.

The financial administration of the Netherlands Indies was restructured with the passing of the "Accountability Act" (Comptabiliteits Wet) in 1864 which required a separate annual budget to be approved by the Dutch Parliament. This was achieved for the first time in 1867.

Nonetheless the financial situation remained precarious as can be seen from the following table showing deficits on the balance of payments incurred from 1873 onwards which were financed by a "floating debt" and by the placing of government loans.

Table 2

Colonial Revenues and Balances
1816-1915
(in million guilders)

Period	Total Revenue	of which Net Opium farm	Other Tax farms	Landtax	Surplus Balance	Deficit Balance
1816-22	129.4	8.1	6.9	28.2	9.2	-
1823-33	284.3	30.3	18.2	67.9	-	-51.0
1834-47	887.9	88.0	53.8	113.3	118.0	-
1848-65	1,779.1	145.1	55.7	180.2	503.9	-
1866-75	1,290.5	103.8	24.0	138.9	199.6	-
1876-85	1,416.4	157.6	32.0	178.6	-	-73.9
1886-95	1, 298.5	180.7	46.5	171.3	-	-5.6
1896-05	1,426.4	99.9	38.7	176.6	-	-100.6
1906-15	2,251.6	22.2	34.2	190.2	-	-115.2
1816-1915	10,764.1	835.7	310.0	1,245.2	830.7	-346.3

It is not possible, in the present context, to elaborate on the intricacies of the financial policies in regard to the colony apart from stating that throughout the period there were great pressures to economise on expenditure and to maximise revenues. From the 1870s a tax on domestic crafts and small business for "natives" and "foreign orientals" was increased (bedrijfs belasting) and other direct taxes were introduced. These included a personal tax (calculated on rental value of premises, furniture and carriages); a tax on rateable land held by Europeans and foreign orientals (verponding); and a tax on income from business conducted by non-natives (patent belasting) Until 1897, companies which had their registered offices in the Netherlands paid tax on the income derived from their colonial business in Holland instead of in the colony where it had been earned. The amount of direct taxation remained inadequate; was difficult to assess and collect; and already weighed disproportionally on the native population. The main difficulty lay in the shortage of dependable, trustworthy personnel.

The Dutch Colonial Civil Service on Java in 1873 consisted of 3190 civil servants, the majority of which was stationed in the larger towns. Only 153 'controleurs' and 'assistent controleurs' had direct contact with the population of 17.5 million in about 40,000 villages. For all the Outer Possessions there were in 1873 only 928 European civil servants of which 145 were 'controleurs'. In 1900 these numbers increased for Java to 5276 and 184 respectively and for the Outer Possessions to 4793 and 196.

Considering the constraints presented by the system of public finance and the lack of personnel it is not surprising that the tax revenue farming system was retained for such a long period.

Government on Java was based on the concept of 'indirect rule' by relying on the cooperation of the old customary Regent class of the "priyayi" and the village heads who at the lower levels also served as collectors of taxes imposed on the native population. Many other taxes which will be discussed in more detail later, were farmed out. The right of collection was awarded to the highest bidder at auction. Virtually all tax farmers were Chinese who predominantly occupied the position of intermediate petty traders and merchants. Quite a number had accumulated great wealth enabling them to invest large amounts of money to obtain the lucrative tax farming contracts. This gave them and their employees as tax gatherers a semi official government status allowing them to penetrate into the small rural villages, to which they were legally denied access. According to the regulations the Chinese were compelled to live in separate areas within the towns under the rule of their own heads (kapitans) who received no government remuneration. As with so many other regulations, the formulation at which the Dutch were unsurpassed masters, these could not be fully enforced. The Chinese were masters at discovering ways of evading them. Culturally the Chinese were accustomed to the system of revenue farming. In China it was part of daily life. The responsibility of gathering revenue was relegated to the mandarins and imperial commissioners. However the system was mainly based on the offering of tribute rather than the levying of taxes. It also contained elements of patronage which extended down a hierarchy of officials to the heads of villages and lower bureaucrats. The favours so bestowed had to be paid for with additional sums of money which had to be "squeezed" out of the system. The ultimate sufferers of this "squeeze system" of course were the defenceless peasants. Therefore, in the eyes of the Chinese there was no reason for it to be different on Java. The Dutch government officials professing to protect the interests of the population were not taken seriously, as they expected larger sums to be offered for the tax farms. If the Dutch administration was serious in combating perceived abuses why was it not better policed? Was this too expensive? Why was it that local native officials could be found willing to cooperate in subverting the regulations? Why was it that some Dutch government officials were willing to accept presents and "sweeteners". Practices which the Dutch held to be corruptive were regarded by the Chinese merely as "oiling the system".

The enormous extent to which the influence of the Chinese tax farmers grew can be gauged from the following statistics. In 1860 there were on Java 3574 Chinese who found their living as tax farmers or as farm employees. In 1890 this number had grown to 3886 to which must be added another 1000 engaged in the running of the pawnshop farm. In that same year another 2009 Chinese were similarly engaged in the Outer Possessions. In number they exceeded the Dutch in the colonial civil service who totalled 6087.

The abuses of the revenue farming system and the fact that it was dominated by the Chinese had attracted severe criticisms in earlier years. However from the early 1870s the opponents grew in number increasing their voice in condemnation, both in the Indies and in Holland, in Parliament and in the press. Different factions joined pressing for abolition whether based on theoretical, practical, economic, political, religious or moral grounds. Private interests saw any type of monopoly and excessive pressure of taxation as an interference with the market; liberal politicans spoke of the repayment of a "Debt of Honour"; enlightened bureaucrats fulminated against the inefficiencies of the system, the corruption and the manner it had contributed to the impoverishment of the population. The protests developed into the "ethical movement", which expressed the need for acceptance of the responsibility for the "elevation" of the indigenous population through education and better material welfare leading it onto greater self-rule.

Despite the differing motivations of the forces in opposition to the revenue farming system they joined on two emotive issues. The first was the "opium problem". It was considered reprehensible and immoral that the government should make money by selling a substance which contributed to the degradation, demoralisation and corruption of the population. The second problem was the latent fear of the Chinese, their visible presence in large numbers in towns, exceeding the European in number, and their dominance in the retail and intermediate trade. This was reinforced by the rise of a group of exceedingly rich Chinese who were known to have made most of their money as revenue farmers and who now lived in mansions outside the Chinese compound, who ostentatiously displayed their wealth and power and who demanded equal civil and legal status, owned large private estates and were becoming landlords in the urban rental housing market. The Chinese threatened to become a "state within the state" (one only had to think back to the 'Kongsi War' in West Borneo in 1854).

The more rational arguments against the revenue farming system recognised that it exploited the peasants; that it undermined the authority of the administration and the creditability of the legal system; that the abuses inherent in the consumption of opium; the extortionate interest rates charged on small loans, and the malversations in the collection of the slaughter tax no longer could be tolerated.

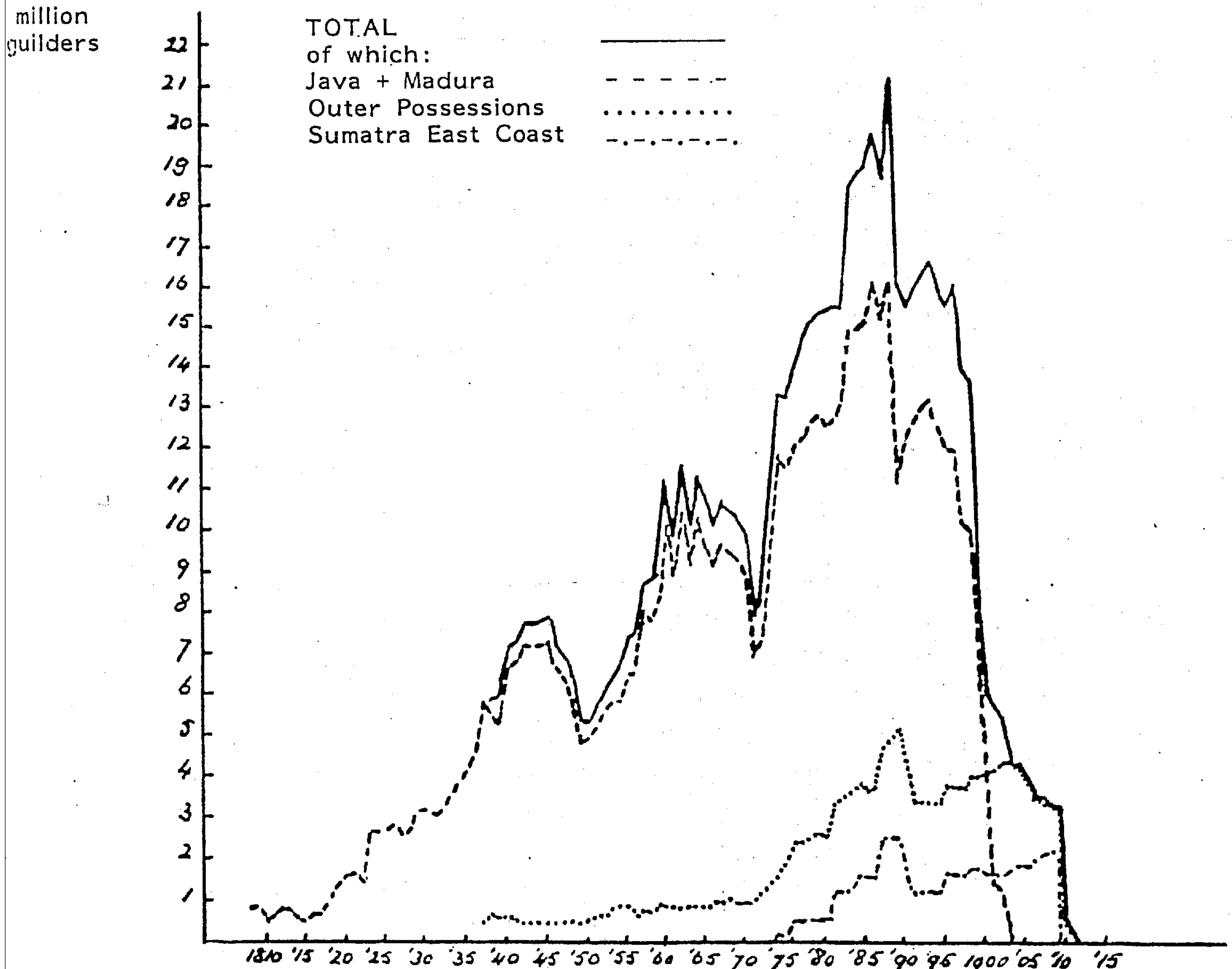
Of course the Department of Finance strongly argued that the revenues obtained from taxfarming could not be dispensed with, given the state of the colonial finances. Nevertheless the opium farm from 1894 onwards was gradually replaced by the Opium Regie, the pawnshops placed under direct government management and the slaughter tax abolished.

Contrary to expectations the net revenues were larger than those obtained under the tax farming system. The opium farm in 1890 had yielded f.16.4 million in total but in 1914 when the Regie was complete the profit amounted to f.27.2 million. The revenue from the pawnshop farm on Java in 1890 had been f.1.1 million but in 1917 the government pawnhouses produced a net return of f.7.3 million.

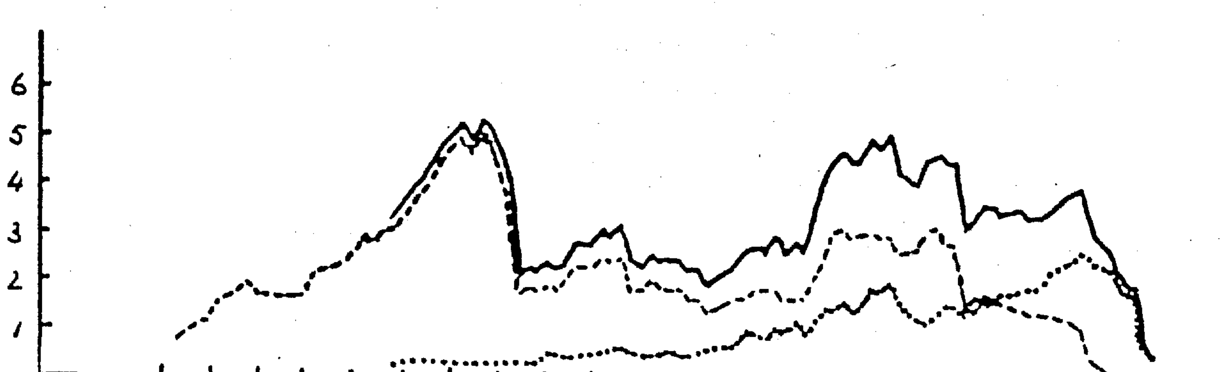
These results were obtained notwithstanding the large amounts which were invested in buildings (i.e. the opium processing plant and large numbers of opium and pawnshops) and the increased operating costs involved in the administration and policing of the new system. It also made apparent that prior to the abolition of the revenue farms, especially the opium farm, enormous profits had been made by a small number of Chinese to the detriment of the population and government alike.

In the following pages an overview is presented for each of the more important revenue farms; the reasons for their existence; their mode of operation, and their eventual demise.

Total Net Revenue of the Opium Farm in the Netherlands East Indies, 1810-1911



Revenue of the Small Tax Farms Netherlands East Indies 1815-1920



The Revenue Farms in the Netherlands East Indies

In 1849, when the first official Colonial Report (Koloniaal Verslag) was published, the following revenue farms still operated:

1. tax on retail sales of opium,
2. bazaar ('pasar') tax,
3. Chinese gambling
4. pawnshops,
5. tax on slaughter of cattle,
6. retail sales of arrack and other spirits,
7. tax on fish, and fisheries,
8. tax on slaughter of pigs and sale of pork,
9. tax on tobacco (native and Chinese),
10. harvest of edible birds nests,
11. tolls on bridges and ferries,
12. head tax on Chinese,
13. tax on native small business,
14. cutting of timber from government forests,
15. palmsugar from the Preanger Residencies,
16. some other taxes of little importance.

Prior to that, several other farms had been abolished. The two most important of these were the farm on import-and export-duties, and the tax-farm on salt, which, during the English interregnum, had been placed under direct government control. In 1818 some small local farms were abolished because they were deemed to be insignificant and arbitrary. These farms included a tax: on the marriage of Javanese at Tagal; on the manufacture of small firearms at Grissee; on 'sirih' and 'ronggeng' in Bantam; on charcoal in Tagal; on sugar pans at Toeban; and on firewood in Bantam. In 1823 the tax-farm on wax candles sold at Batavia and Buitenzorg was abandoned. In 1824 the tax-farm on the sale of rice at Batavia was terminated. None of these would have yielded much revenue and could easily be dispensed with. This was not the case with the abolition in 1823 of the tollgate tax-farms in the provinces of Pekalongan, Kadoe, Samarang and Soerabaija which in their last year had brought almost a quarter of a million guilders. The tollgates in Soerakarta and Djokjakarta were not eliminated until 1827. The only other tax-farm which disappeared was that on horses and carriages in Batavia, Samarang and Soerabaija, but this tax was soon incorporated into the direct personal tax levied upon Europeans and Foreign Orientals.

Almost all revenue farms enumerated earlier were retained in the Indies for considerably longer periods. The first important one to be abolished was the bazaar tax-farm in 1851. The pawnshop farm was abolished in 1869, but was reintroduced in 1880 and remained in force until 1917 on Java and into the 1920s in parts of the Outer Possessions. Slaughter taxes on Java disappeared in 1900 but lasted longer elsewhere. In contrast several revenue farms were introduced to areas in the Outer Possessions which, during the nineteenth century, were brought under Dutch sovereign control, whether by agreement or by "pacification". Local potentates often relinquished existing farms against an annual fixed amount of compensation, the best example being the extension of opium tax-farms to Sumatra's East Coast in 1872.

Throughout its existence the opium farm provided a revenue which far exceeded that of the 'small revenue farms' combined (kleine verpachte middelen). Nonetheless, the small farms cannot be ignored due to the circumstance that they often were closely integrated with the opium farms and as a result contributed disproportionately to the adverse effects on the population.

1. The Opium Revenue Farm

When the opium tax-farm was introduced in 1806 it operated in the same way as other farms. The right to sell opium in retail and to collect a consumption tax thereon was let out to the person, who, at an auction was prepared to pay the highest price for a licence. This was changed in 1827 when the government assumed the monopoly right for the importation of opium and appointed the N.H.M. as its sole commission agent. In addition the N.H.M. was awarded the opium tax-farm against payment of a licence fee of f.2.5 million plus a share in profits. The actual retail sales-rights were let out to Chinese sub-contractors at auction. This lasted until 1833 when the N.H.M. relinquished the opium farm.

In 1834 another system was introduced which, after many modifications, remained in operation until the 1890s when the Opium Regie was introduced and the sale of opium was placed under direct government control.

During most of this time the system was based on some combination of the following principles:

(a) prospective farmers had to bid at auction for the right to retail opium within a delineated area for a fixed number of years.
(b) successful highest bidders were required to purchase a certain amount of raw opium from the government at a high price, which was called the "tiban" (i.e. a 'stake' or 'ante' in gambling).
(c) a supplementary quantity could be bought from the government at a much lower price, which was called the "siram" (i.e. a 'sprinkling').

The objectives underlying the system were, firstly: to gain as large a revenue as possible with the least effort and lowest administrative expense, and, secondly: to bring about a reduction in the consumption of opium. These aims were obviously contradictory and led to a continuous search for an optimal solution by varying the conditions of operation.

The following changes occurred:

- from 1834 to 1836: the farm was let to the person willing to purchase the largest quantity of opium at a fixed price of f.100 per catty, no licence fee was required.
- from 1836 to 1842: the farm was awarded to the highest bidder for the licence fee, who took a minimum quantity of opium ('tiban') at f.100 per catty and had the option to purchase a small quantity ('siram') at f.40 per catty (the cost price to the government did not exceed f.20).
- from 1843-1846: no licence fee was required but the farm was awarded to the bidder at auction willing to purchase the largest quantity of opium at the high price of f.175 per catty.
- from 1847-1855: return to the pre-1843 system, reintroduction of bidding for licence and fixed 'tiban' at f.100 per catty while limited additional quantities were available for purchase at f.25 per catty.

- from 1856-1861: bidding for a licence was maintained, a fixed 'tiban' at f.100 per catty but unlimited amounts of 'siram' opium were available at cost price to the government (fluctuating between f.12 and f.23).
- from 1862-1868: the farms were let out to the highest bidders for a licence, a much reduced maximum 'tiban' opium at the low price of f.20 per catty was made available but supply of 'siram' opium was discontinued.
- from 1869-1872: a return to the system in operation during 1856-1861 requiring the purchase of a minimum quantity of 'tiban' opium at f.100 per catty above which unlimited supplies of 'siram' opium at cost price could be obtained.
- from 1873-1890s: reintroduction of the fixed maximum system with 'tiban' opium at f.30 per catty but 'siram' opium was no longer made available.

In the context of this paper it is not possible to elaborate on the intricate details of these changes. For these reference is made to an earlier paper on the Opium Tax Farms on Java (Diehl, 1983). However a few very broad statements can be made. At no time did the varying conditions for the opium revenue farm succeed in bringing about a reduction in the consumption of opium as a result of the maintenance of an artificially high monopoly price for government supplied opium. This encouraged smuggling of cheaper non-government opium. Since the government was not able to adequately control smuggling the profits from retailing opium were high. One of the problems facing the government was to devise a system whereby it would obtain the largest share of the profits. It could obtain its share either from high licence fees at auctions, or from selling opium at high prices, or from some intermediate mixture of the two. The government once attempted to reduce smuggling by substantially lowering its prices for 'siram' opium (1869-1872). It was successful, the amount of legal opium sold rising from about 650 to over 2700 cases, but the result was lower profits for the farmers who bid less at auction for their licence which in turn resulted in a lower revenue for the government. Clearly this was a situation which could not be maintained and the experiment was soon abandoned.

Every other time when the government increased the price for its 'tiban' and/or 'siram' opium; or decreased the quantities of legal opium made available in attempts to reduce consumption, smuggling increased. Depending on the relative importance of these factors the level of total revenue was influenced either through the amounts of licence fees collected or by profits on the sale of opium.

The only other manner by which the government could reduce consumption was by lessening the number of licensed opium dens. This proved futile due to inability to exercise firm control over the many illegal opium dens which arose. The only successes were achieved by declaring some isolated and generally mountainous areas prohibited to the entry of opium. The most important of these were the Preanger Regencies which were a prohibited area for Chinese. The regulation had come into existence in 1824, not so much out of fear that the opium habit would spread, but to prevent Chinese traders smuggling coffee out of this area. The production of coffee had been under firm government monopoly control since the days of the V.O.C. When, therefore, the Opium Regie was introduced by the government in the Preanger in 1903 it was, not without reason, accused of hypocrisy.

When in 1873 a compromise solution was introduced, whereby each farm district was allocated a maximum quantity of 'siram' opium at a price which was approximately double the cost of smuggled opium, another serious problem surfaced - namely the increasing power of the Opium Kongsis (Kongsi = Chinese partnership). Previously collusion and conspiracy between opium farmers had not been unknown and at times had led to surprising outcomes at auctions. However from 1873 onwards it was regarded as a threat and this coincided with a general anti-Chinese feeling.

Total opium-farm revenues increased sharply compared with a previous high in the 1860s of approximately f.10 million to over f.15 million in 1884, but the amount of legal opium bought remained static. The increases in revenue were mainly due to some farmers, having formed combines, starting to outbid each other for control of other farm districts, while at the same time considerably lowering their bids for licences in districts already under their control. This tendency became more pronounced when from 1884 to 1887 the farm fees paid increased even further, but the amount of legally purchased opium dropped by more than a third (from 1600 to about 900 cases of opium). This was a clear sign that enormous quantities of opium must have been smuggled in - since in 1872 the government had sold 2700 cases! It also indicated that the selling of opium in retail was a profitable business especially if the market could be extended.

The government had devised an intermediate market situation in the hope that competition between farmers would increase and that they, in their own interest, would police the system and protect their territory from intrusion by smugglers from outside. This turned out to be an idle hope. By the mid-eighties three powerful kongsis had come into existence, between them controlling fourteen of Java's nineteen opium-farming districts. They had become large-scale smugglers themselves, using every means to extend their market power. This included establishing networks of spies and informers, and employing large numbers of peddlars of illegal opium. They also increasingly obtained control of many of the small revenue farms in order to prevent competitors from gaining a foothold in their districts.

In combination these developments led to the further corruption of many, who, in some way or another, came in contact with the revenue farms. In many cases justice was perverted, by procuring false witnesses, the dispensing of bribes or by implicating innocent persons.

The anti-opium lobby grew in strength, accusing the government that, by maintaining the farming system, it contributed to the further demoralisation and impoverishment of the population. This coincided with opposition, in some quarters, to the increasing flow of immigrant Chinese labour, especially to the East Coast of Sumatra and Billiton. Before 1870 the government opium farm system also operated in parts of Sumatra's Westcoast, Benkoelen and Palembang, in the same manner as on Java. A different system operated in other parts of the Outer Possessions where administrative control was established. There licences for retail sales of opium were awarded to the highest bidders at auctions, however the farmers were not required to purchase opium from the government. Instead farmers were free to buy opium in Singapore or Penang to satisfy their requirements. Much of this however, disappeared into the smuggling channels supplying illegal opium for Java. After the opening up of the East Coast of Sumatra, the establishment of new tin mines on Billiton, and the gradual extension of sovereignty over the Riouw archipelago, Djambi and Atjeh the revenues obtained from the auctioning of opium licences increased dramatically.

As had happened on Java, in Sumatra the control of regional opium farms also increased by coming into the hands of a powerful kongsi which had close links with financial interests in Penang and Singapore.

Awareness increased of the detrimental effects of opium use on the health of Chinese coolies employed on the plantations and tin-mining works. Furthermore, it was noticed that the opium habit was spreading to the imported Javanese coolies who had started to replace the Chinese.

The problems were compounded by the circumstance that during the late 1880s several opium kongsis on Java encountered severe financial problems due to having over-extended themselves in their take-over battles. Bankruptcies occurred and a large debt to the government of about f.6 million remained unpaid. The financial position of the opium farmers was further undermined by the drop in prices for sugar, tobacco and coffee which caused a depression in the rural economy. Following the French example in Indo-China, where it had been established in 1882, it was decided in 1890 to also introduce an Opium Regie in the Indies. It commenced on an experimental basis - on Madoera, and was gradually extended until by 1914 the whole of the archipelago was covered. The opium tax-farming system had come to an end and was replaced by a total government monopoly for the import, processing, distribution and sale of opium.

2. <u>The Bazaar Tax-farm</u> ('Pasar Pacht')

Among the existing revenue-farms in the early nineteenth century the one for the tax on markets ('pasars') and stalls ('warongs') was probably the most vexatious. Many abuses had crept in, the main one being that the market tax had been extended to include a tax on the transit of goods to the market. For instance, peasants wanting to sell their wares in nearby towns had to pay a transit tax if they passed places where sub-farmers were stationed. If they did not carry cash they had to pledge a piece of clothing or equipment or had to pay the tax in kind. This procedure furthermore was accompanied by harassment, body searches and inspection of wares. Even more iniquitous were the house visits to places where some domestic industry was carried out, when products were subjected to payment of a tax even before they were carried to market. Similarly, raw materials to be used in manufacture were subjected to levies. This amounted to double taxation because, another and separate tax, the so-called tenement tax, (which was not farmed out) specifically covered domestic industry and small business ('bedrijfs belasting').

When Chinese tax-farmers were challenged on these transgressions they countered by replying that their actions were justified, as otherwise goods could be sold before reaching the market and thus the payment of the pasar-tax would be avoided. If the government did not see it that way then there was no alternative but to offer a lower bid at the next auction.

The result of these machinations was that often a five to six times greater amount of tax was extracted than permitted under the regulations. Obviously this greatly interfered with and adversely affected local trade and small manufacturing.

As an experiment and in an attempt to counteract these nefarious practices, the government decided in 1821, upon expiry of the farming contract in Cheribon, to let the contract only to Javanese recommended by the Regents. The experiment failed as even greater abuses became apparent. The exactions imposed by relatives and protégés of the Regents were heavier than before. Furthermore large deficits were incurred due to the Regents applying the revenue to their own use. The displaced Chinese farmers conclusively proved the existence of malversations. The government not wishing to prosecute the Regents and their families found no better solution but to waive the payment of sums in arrears. The next farm contracts reverted to the Chinese. Choosing the lesser of two evils, and as long as larger revenues flowed into the treasury, the government was prepared to turn a blind eye to the detrimental effects of the system for which the Chinese could be blamed.

Several times new and stricter regulations were promulgated in the hope of reducing the impact of the system, but these were not enforced. Once, prior to an auction, a Chinese farmer asked the Dutch Resident whether taxes were to be levied "according to custom or according to the new regulations?". He received the answer: "As usual, but do not oppress the population too much!". On another occasion, after having paid a very large sum for a licence fee, a rich Chinese was asked by the Resident: "Was that not very expensive?". The reply was: "Why? Expensive? Is there not the blood of the little men to pay for it all?" (Vitalis, 1851). Disregarding the insulting remark with a smile even the Resident knew that the prime objective was to obtain as high a licence fee as possible to please his superiors in Batavia.

Meanwhile the number of complaints about the regulations not being enforced increased. Farm employees extracted payments at their whim, policing was inadequate, prosecution was too expensive for all involved and even if pursued the transgressions could not be proven.

The abuses were well recognised and thoroughly disapproved of as shown in an exchange of correspondence between the Governor General and the Minister of Colonies during the 1840s. However, it was noted that the abolition of the 'pasar' tax-farm could not be considered unless an equivalent financial compensation could be found elsewhere. The revenue from this farm had risen from f.0.6 million in 1820 to an average of f.3 million in the late 1840s. Nonetheless it was abolished during the period 1851-1853. The compensation, which turned out to be more than "equivalent" was found by a twenty percent increase in the retail price of salt, an increase in the tax on carriages and horses (except cart horses), an extension of the tax on small business and a substantial increase in the slaughter-tax.

Contrary to expectations the prices for goods on the markets did not drop significantly but in many instances rose. The explanation could be that demand had increased, but probably the main reason was that sellers were no longer forced to accept almost any price, thus avoiding having to carry unsold surpluses home and pay yet again a return transit fee.

3. <u>The Revenue-farm on Chinese gambling</u> ('dobbelspelen')

The first licences for the running of Chinese gambling houses were issued in Batavia in 1797. During the English administration this practice was discontinued but it was reintroduced by the Dutch in 1817. Initially licences were given only for special occasions at a cost of f.150. per day with the proviso that only Chinese were allowed to participate. The revenue gained was to be used to support the charitable institutions for the poor and sick.

This changed in 1826 when the colonial treasury needed additional revenue. The licence to run gambling houses was put up for auction, yielding f.214,000 in the first year. Three years later the system was extended to cover the whole province of Batavia and the towns of Samārang and Soerabaija. It is significant that licences were given only for larger towns with substantial Chinese populations where the regulations could be strictly controlled with the help of the tax-farmers. No alcohol, opium or dancing girls were permitted on the premises. Europeans and natives were strictly forbidden to participate under threat of severe punishment. Outside the towns gambling houses remained illegal. In the Outer Possessions the tax-farm on Chinese gambling was subject to similar regulations.

Despite the belief that the Chinese had an uncontrollable passion for gambling, there were no objections raised to granting them this privilege, as long as it was contained within their community and they paid for it. On Java the tax-farm on gambling averaged f.200,000 per annum, more than half of which was obtained solely from Batavia. An exception occurred in the years from 1877 to 1883 when the farm-fee rose steeply from f.201,024 to f.579.420, being attributable to a gambling mania among the Chinese concerning a particular game ('tjapdjiki'). When this was prohibited the farm-fee dropped again to the normal level.

In the Outer Possessions the revenue gained from the gambling tax-farm gradually rose from about f.70,000 in the 1840s, reaching about f.500,000 around 1880, and increasing to well over a million from 1908 until 1917. Up to two-thirds of these amounts was accounted for by the gambling farms in Sumatra's East Coast as a result of the large inflow of Chinese immigrant coolies. Some tobacco plantation managers complained bitterly about the spreading of gambling among their labour force and especially about the large number of unlicenced gambling dens outside their territory.

In line with the government's decision to phase out all tax-farms, those on gambling were abolished for Java in 1914 and for the Outer Possessions in 1919.

4. The Revenue-farm on Pawnshops ('Pandhuizen')

Although pawnshops had long existed it is not known when the exclusive right to running a pawnshop was first farmed out. However, in 1817 the farm at Batavia yielded an amount of f.9,100. The practice was gradually extended to most districts on Java (except the Principalities and the Preanger Regencies), the farms in 1840 yielding approximately f.200,000 per annum and rising slowly to an average of f.350,000 in the 1860s. At that time there were 242 licenced pawnshops located mainly in the larger towns.

The need for small amounts of credit for short periods was a pressing one in a society which consisted largely of impecunious peasants and several ways of providing credit existed. In many instances advances were given on standing crops which could be settled in kind after the harvest. This often led to perpetual debt-bondage giving the creditor an almost complete control over the use of land. Thus, whole villages could fall under the domination of a moneylender who legally was prevented from owning the land. Such moneylenders, charging exorbitant interest rates and acting through native agents, were almost exclusively Chinese, although some were Arabs or 'Hadjis'. Another source, especially for consumer credit, was provided by the so-called institution of 'tjina-mindering' (i.e. discounting a debt owed to a Chinese). Such debts, for small amounts, were incurred upon purchasing a piece of fabric or clothing from a Chinese pedlar, who likewise had obtained his wares on credit from a town based Chinese wholesaler. The itinerant salesman was only allowed to travel inland after having procured a pass from the local authorities. The total interest included in the periodic repayments (at five 'pasar' day intervals) by the villager, ignorant of such complicated calculations, could easily amount to anywhere around sixty percent over a period of two months. Such usurious practices of course were loudly condemned and the Chinese were accused of being bloodsuckers.

The situation with the pawnshops authorised by the government was not as bad, but it was nonetheless severely criticised. In the first place pawnshops were not sufficient in number to cater for the demand outside the towns. In order to find persons willing to run them reliance had to be placed upon Chinese, rich enough to pay the farm-fee, but, Chinese were legally barred from living in the countryside. Secondly, the mere fact that a farm fee had to be paid for the licence in advance meant that the expenditure had to be recouped from borrowers. The government had made the granting of licences subject to extensive regulations in order to protect customers. Only loans under f.100. were allowed; precise tariffs were given for each category of loan which had to be prominently displayed in three languages; the rules for the redeeming of pledges were meticulously prescribed; pawnshops were not to be located near gambling or opiumdens; and proper accounts had to be kept. As was the case elsewhere the regulations could not be policed and were constantly broken. Complaints were rife and opponents to the system accused the government of imposing a tax on poverty. The government, under considerable pressure, decided in 1869 to discontinue the pawnshop-farm.

From 1870 anyone acceptable to the authorities and willing to establish a pawnshop, could obtain a licence against an annual fee of f.50. It was hoped that increased competition would lead to lower interest charges but this did not eventuate. It soon became clear that pawnshops, the number of which increased to 986, were being monopolised by kongsis.

Furthermore, the acquisition of a pawnshop licence legitimised settlement of Chinese in the countryside and everyone knew that this would only lead to further exploitation of the peasants. The abuses continued. Pawnshopkeepers became receivers of stolen goods and they conspired in obtaining articles, not redeemed on the due date, at unscheduled auctions at a value well below those at which they had been pledged.

Apart from the fact that the government had foregone a considerable revenue, the disadvantages of the new licence system were such that it was abandoned in 1880 and the farm was re-introduced. In 1891 there were 376 pawnshops in operation on Java from which the government derived a revenue of well over a million guilders. The same year it was decided to tighten up the regulations in respect of the period for which unredeemed goods had to be kept before being auctioned and a revision of the interest rates was proclaimed. Even so, the rates remained high, namely 90% per annum for amounts up to f.1 (the majority of loans) reducing to 75% for amounts of f.75 to f.100. Such was the power of the Chinese farmers, who objected to these new regulations, that when the farms came up for auction their bids were reduced to a total amount of f.627,100. The government relented and in 1895 the bids were restored to the previous high level.

From 1908 the farm was gradually abandoned and replaced by government operated pawnshops in conjunction with the introduction of People's Credit Banks and co-operative village 'rice banks' (desa loemboengs).

5. The Tax-farm on the slaughter of cattle ('slachtpacht')

In 1817 the tax-farm on Java yielded f.62,500, gradually increasing to f.1,3. million in 1898 when it was abolished. The revenue collected from this source for the Outer Possessions was negligible.

On Java two different systems for the collection of the tax existed. In the Preanger Residencies it was entrusted to the Regents who received an eight percent commission. For the rest of Java the tax was farmed out to Chinese merchants. This divergence in operation was due to a desire to keep the Chinese out of the Preanger, as explained earlier.

Although opponents to the tax-farming system pointed to the presumed advantages of a direct collection of the tax by indigenous government appointed officials, in practice the effects of the two systems were similar. Both were detrimental to the population, being riddled with corruption.

Before 1852 the tax payable for animal was f.1,25, for each cow, ox or buffalo and f.0,80 for each calf. One of the reasons for the maintenance of this tax had been to ensure a sufficient supply of draught animals during the period of expansion of the Cultivation System (sheep and goats were not taxed). With the abolition of the 'pasar-pacht' in 1851 the slaughter-tax was raised to f.2. and f.1. respectively. In 1878 the slaughter of horses was made subject to a tax of f.4. per animal and in 1880 the tax on all cattle was increased f.3. After 1852 the slaughter tax-farm became the highest yielding of the small revenue farms and perhaps the most obnoxious. The main reason for this was, that tax-farm employees, seen by the population as official tax collectors, gained access to even the smallest rural villages, as soon as it became known that an animal had been killed. The tax-farmers maintained an efficient network of informers, bribed the lower levels of the local police force and conspired with cattle thieves for illegal slaughter against payment of a higher fee and the surrender of the animal hide.

A close connection with the opium revenue-farm and the smuggling of opium also became apparent. Quoting from the Colonial Report for 1875:

> "In general it must be observed, that the yield of the so-called 'small revenues', particularly that from the tolls on bridges and ferries; from the slaughter of cattle and buffaloes; from slaughter of pigs; and until recently from pawnshops, often depends on attendant circumstances. For instance, an opium revenue farmer will attempt to acquire other tax-farms, almost at any price, out of fear that a hostile kongsi, might obtain several small farms in the same residency, and thus, through its many agents, conduct a smuggling trade in opium. That such fear is justified became apparent some years ago when an opium farmer, having lost in his bid for the slaughter-tax farm in his district, after the fee had been forced up from f.18,000 to f.86,000, was harmed to such an extent by competing opium smugglers, that the following year he had to abstain from participation in the bidding for the opium farm.

> When, therefore an excessively high bid was received in 1875 for the slaughter tax-farm in Soerakarta (namely: f.132,240, against f.95,040 in 1874, and f.68.520 in 1873), reason was found not to award the farm to the highest bidder, but to let it by private contract to the existing opium farmer for the previous lower fee. It is also of great importance to opium farmers to control the ferry toll-farm, in order to better guard against smugglers..." ..."Furthermore, the increase in the yield of the small revenue-farms is sometimes caused by the Chinese merchants seeing their advantage in having accomplices in many places".

The tendency of the various revenue farms to fall into the hands of a few opium kongsis became increasingly recognised as a force which was weakening the fabric of society. Gradually this developed into concerted opposition to a system which subjected the welfare of the population to the venality of the government, the avarice of Chinese revenue-farmers and the cupidity of some indigenous officials.

6. <u>The Tax-farm on Spirits</u> ('sterke dranken')

The sales of locally distilled spirits such as arrack and rum were subject to a consumption tax, the collection of which was farmed out. It appears that the majority of consumers were to be found among the lower socio-economic strata of the European population. Spirit shops were not allowed to sell to the military, their wives, children or servants. Presumably the more affluent Europeans could afford imported spirits and wines which were subject to an import duty (which in 1910 amounted to f.17,6 million).

The consumption of other indigenous fermented drinks on Java such as palmwine ('saguweer') were not subject to a tax, although in the Outer Possessions they were. Despite the consumption of alcohol being forbidden according to Islamic law there were clear indications that it was increasing. Fears were expressed that alcohol could become a substitute for the consumption of opium if the latter were to be prohibited. Nonetheless the spirit-farm was abolished on Java in 1873, in which year it had yielded approximately a quarter of a million guilders. The farm continued for the Outer Possessions until 1914, when it was gradually phased out. In the last years of its operation it had brought an average annual revenue of half a million guilders.

7. <u>The Tax-farm on fish</u> ('vischpacht')

The tax-farm on the bringing to market of freshly caught saltwater fish existed only for Batavia, Samarang, Soerabaija and a few other places on the northcoast. The tax amounted to a monthly fee of f.3 plus 20% of the estimated value of the fish, the sale of which was prohibited outside a designated market.

Like the bazaar tax-farm it had long been held to be greatly disadvantageous to the population. An official report of 1862 (de Waal, 1865, p.321) stated the following:

"It restricts the consumption of an important article of food by the population. Considering the low intake of other animal food the contrary should be the case and consumption should be encouraged. It also impedes an industry which is capable of immeasurable further expansion. If, one further considers the extortion by the Chinese, multiplying the burden upon the population; and, the relatively small amount of tax flowing into the treasury, one wonders whether not reform or indeed abolition is necessary".

The tax-farm which had yielded about half a million guilders annually was abolished in 1863. It was replaced by a direct enterprise tax (bedrijfs belasting) in the same way as for the freshwater fisheries.

8. <u>The Tax-farm on slaughter of pigs</u> ('varkensslacht')

Whereas the consumption of pork was prohibited to adherents of Islam the tax on the slaughter of pigs and the sale of pork meat in retail only affected the Chinese and European population in towns (wild pigs were excluded).

In order to make it easier for Europeans to procure pork, the door to door peddling of meat was removed from the monopoly control of the tax-farmers in 1863. This halved the annual revenue to the government to about f.50,000 until the tax-farm was abolished in 1899. In the Outer Possessions the farm fee reached a maximum of f.102,000 in 1900, gradually diminishing until the tax-farm disappeared in 1918.

9. <u>The Tax-farm on tobacco</u> ('tabak')

The tax on the transport, sale and consumption of tobacco was only farmed out in the districts of Bantam, Batavia, Buitenzorg and Krawang. It was most anomalous since everywhere else tobacco was taxed under the provisions of the enterprise tax. In 1855 the tax-farm still had yielded nearly f.90,000 and soon after was abolished.

10. <u>The Revenue-farm on edible birds nests</u> ('vogelnesten')

Edible birds nests consisted of dried strands of glutinous saliva of a species of sea-swallows (callocallia esculenta or fuciphaga) extruded from their crops. Many of the cliffs and caves from which these nests were gathered had been declared to be part of the crown domain. This was done, not only to provide a revenue, but also, to guard against over-exploitation. The nests were considered a delicacy by Chinese gourmands and fetched good prices on local and overseas markets. Although in a few places the harvest of nests was let out against a fixed rent, the right generally was farmed out to the highest bidder at an auction. The terms of the licence stipulated that picking could only take place three times a year and that the licence holder was responsible for the continuing viability of this resource. On Java the revenue for the government from the farm had risen from f.8,000 in 1825 to a maximum of f.192,000 in 1890, gradually declining to f.29,000 in 1918 and then soon disappeared.

11. The Revenue-farm of bridge and ferry tolls (bruggen en overvaarten)

The revenue from this source was not large, amounting to approximately f.70,000 annually. From 1860 it was no longer shown separately in the statistics but was included in "other revenues". As long as the tolls existed they presented not only a financial burden but also a great nuisance to the population which went to great lengths to avoid it.

12. The Chinese headtax-farm ('hoofdgeld') and

13. The tax-farm on small business ('neringen')

These two categories of taxation will be discussed together as they were closely related in their application to the Chinese living in the three major towns. The origin of the headtax on Chinese can be traced back to the times of the V.O.C. It was farmed out only in Batavia with the explicit stipulation that the farmer had to be Chinese. In other places the tax was collected direct by the Chinese heads. It varied from f.1 to f.6 per year for each male between the ages of 14 and 60, and yielded between f.20,000 and f.30,000 annually. By 1865 the headtax had gradually been incorporated in the so-called enterprise tax (bedrijfs belasting), which will be discussed later.

The tax on "small business" existed only in Batavia and its environs. It took the form of a licence fee payable by natives and foreign orientals carrying on a business, the size of which determined the amount of tax. This varied from 5 cents per day for stallkeepers to f.180. per year for larger merchants. No tax was levied from day labourers, servants, peddlars or seafarers. The farmers of this tax were not allowed to levy any charges on the stallholders within the confines of the official markets who were subject to a separate bazaartax, which often gave rise to demarcation disputes. All traders, large and small, had to carry a receipt showing that the levy had been paid and they often had to subject themselves to a search by farm-employees.

The tax on small business, which had yielded about f,100,000 annually, was also incorporated in the 'bedrijfs belasting' in 1865.

The great confusion surrounding the collection of these taxes relates back to the introduction in 1814 by Raffles of a house or tenement tax, defined as a small rent for the ground upon which a house had been built. The purpose of this had been to impose a tax on those who were not cultivators of the soil and who therefore did not pay a landrent. However, another tax, the so-called enterprise tax (bedrijfs belasting), had been introduced in 1824 payable by persons carrying out some trade or craft. This was collected by the village heads, receiving a remuneration of 8½%, and was supervised and administered by the 'Director of Cultivations' (Direkteur der Kultures).

Some taxes, similar in nature and incidence were also farmed out. The administration of these revenues fell under the 'Director of Revenues and Domains' (Direkteur der Middelen en Domeinen). The rivalry between the two departments, each attempting to increase its contribution to the treasury, and reporting it under different headings in the colonial accounts, in many cases concealed the existence of double taxation. A first step at rationalisation of the tax structure was undertaken in 1837 by abolishing the ambiguous housetax which had been interpreted as also being applicable to persons pursuing a trade or a craft in or from their house. It was replaced by a single rate on the improved value of the land ('verponding').

Further changes in the system of taxation occurred with the abolition of the revenue-farms on the bazaartax, the tax on fisheries, the tax on tobacco, the Chinese head-tax and the tax on small business by incorporating these into the enterprise tax, as mentioned earlier.

14. The Revenue-farm of lumbering rights in government forests ('bosschen')

As was the case with the harvesting of edible birds nests, the cutting of lumber from government forests did not concern the collection of a tax which was farmed out but the granting of a licence for the exploitation of a natural resource to the highest bidder at an auction.

The only such case related to the right to cutting of firewood in Bantam and Krawang. In 1862 when it was last shown this yielded a revenue of f.32,000 to the Department of Revenues and Domains. This amount pales into insignificance when compared to the revenue collected by the Department of Cultivations (and later by a separate Department of Forestries) which granted licences for the cutting of timber from the extensive government forests elsewhere on Java. Such licences were put up for tender and were awarded to persons or firms of good standing who had submitted an acceptable bid. The successful tenderer paid an annual farm-fee ('pachtsom') for a certain number of years. For 1872 the total amount collected was f.335,415 of which 8% was paid by Chinese contractors. In 1912 the revenue from this 'pacht' amounted to f.2,148,464 of which more than half was attributable to Chinese firms.

15. The Revenue-farm on palmsugar ('arensuiker')

The so-called 'Preanger System' required the population in the regencies to render compulsory labour services (heerendiensten) for the production of commodities. Although the main product was coffee, palmsugar also had to be delivered to the government warehouses at a fixed low purchase price. The export and sale of such products were a strictly regulated government monopoly.

Annually the palmsugar was sold locally to the person who had offered the highest price for a certain quantity. The successful tenderer could collect the sugar at the warehouse and receive a certificate allowing him to export it from the district. In addition he was given the right to operate a market stall (warong) on the warehouses premises during the year.

In practice this amounted to a revenue-farm which included the eagerly sought concession by the Chinese to conduct trade in the Preanger regencies, from which they otherwise would be barred. The annual revenue obtained by the government had been as high as f.52,000 in 1849 and amounted to f.30,000 in 1863, when the farm was terminated the following year. The Preanger System as a whole was abolished in 1871.

16. Other Revenue-farms

The statistical appendices provided with the annual Colonial Reports concerning farm revenues include an entry under the heading 'other'. These generally relate to the revenues obtained from small localised tax-farms which yielded insignificant amounts and often existed for short periods only, thus not warranting further discussion.

However, an exception needs to be made which concerns a salt revenue-farm. Its existence was quite anomalous because the salt -tax revenue-farm had been abolished by Raffles. Although an attempt was made in 1829 to reintroduce it in the province of Batavia it was abandoned in 1848 as a result of gross abuse and financial fraud committed by the Chinese tax-farmer. Elsewhere all production, distribution and sale of salt had been placed under monopoly control by the government (zout Regie). In 1863, quite unexpectedly, an amount of f.2,200 appeared in the statistics as being the revenue of a salt-tax-farm located in the Sultanate of Siak in East Sumatra. This territory had come under direct Dutch administration only in 1871 when it should be expected that the salt-Regie was to be introduced also. Curiously this was not the case as the revenue from this salt-tax-farm increased to its highest level of f.484,700 in 1914, when the revenue obtained from the salt Regie in the rest of the archipelago amounted to f.12,7 million. The explanation for this phenomenon is found in the existence of the flourishing fishing town of Bagan Si Api Api, located at the mouth of the Rokan River.

The population of the town consisted almost completely of Chinese who exploited the rich fishing grounds in the estuary. Large quantities of dried and salted fish and 'trassi' (shrimp paste) were exported to Java, Singapore and Penang. While it is clear that large quantities of salt were needed, it is less clear why the salt-tax-farm was maintained. Part of the explanation may be provided by the circumstance that initially the government did not find it sufficiently worthwhile to build and staff a salt warehouse at such an inaccessible place. In addition, bureaucratic inertia or the recognition of the sale of salt in this manner being more profitable than elsewhere may aid in finding an explanation. However, for many years the salt-tax-farm was in the hands of a powerful kongsi which also operated the opium revenue-farm and thus had close financial connections with Medan, Singapore and Penang. The kongsi member in Bagan Si Api Api, who also owned the local bank, was the agent for the K.P.M. (the Dutch shipping company) and had the right of levying the tax on all shrimp products. The abolition of the salt-tax-farm in 1920 brought an end to this dominance.

Another revenue-farm of some importance has been that granted to the Billiton Maatschappij for the exploitation of tin deposits against payment of a farm-fee (pachtschat), details of which were recorded under the altogether different heading of 'Mijnwezen' (mining) in the Colonial Reports. The tin deposits on the island of Bangka had been discovered in the early 18th century. Since then tin has provided an important source of income, first to the V.O.C. and later to the Dutch colonial government. When the island was brought under direct political control in 1822, tin mining became a government operated monopoly. The development on the island of Billiton took a different course. In 1851 the Billiton Maatschappij was founded by private subscription to its share capital in order to search for tin deposits and their subsequent exploitation. A first small-scale start was made in 1853 but when operations expanded new concessions were needed. These were granted against payment in kind of a farm-fee amounting to 3% of production. From 1867 to 1893 the total value of the 'pachtschat' delivered amounted to f.3,512,442. In 1893 the financial arrangements were changed giving the government a larger direct share in the profits.

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REVENUE FARMING, COMMERCIALIZATION AND THE GROWTH OF THE CENTRALIZED STATE IN KEDAH

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I

In the early 1780s, the major component of the Sultan of Kedah's revenues was profits [kelabaan] on trade monopolies. In the 1880s, it was monthly rental payments on revenue farms [hasil pajak]. The trade monopolies had disappeared; the major items of the export monopoly had disappeared; the import monopolies, and many other items besides, had become revenue farms.

This paper discusses broadly the growth of revenue farming in Kedah in the course of the 19th century. It suggests that revenue farming was peculiarly suited to the process of state centralization that was then occuring, particularly in the last third of the century. Given the specific historical circumstances of Kedah, each provided support to the other, to result, at the end of the century, in a centralized state and a full-blown revenue farm system at the heart of its financial order and as an engine of growth. Yet that combination of an "absolutism" of sorts and such a financial system did not last and probably could not have lasted without inducing stagnation or decline, unless there was a change in the character of the state.

II

In the reign of Sultan Abdullah Mukarram Shah (1778-1798), and previously,[1] there were 9 monopoly items inclusive of products derived from them. With respect to these items, "the people [anak negeri] could not buy from and sell to traders [dagang santri -- foreign traders?] and traders could not buy from and sell to the people, but only with the lord of the country (tuan negeri) or his representative".[2]

Of these 9 items, five were exports comprising elephants, tin, beeswax, iron and saltpetre [sendawa], while four were imports comprising opium [apian/apiun -- raw opium?], salt, tobacco and cotton. 4 of the 5 export items were subjected to a tax/tribute as well as to the monopoly. The tax/tribute incidence varied with the items. Thus, the tax/tribute on tin apparently only sufficed for the purposes of coinage and for bullets [peluru senapang], what was traded being purchased by the Sultan from supplies within Kedah and from Perak and Patani; whereas the tax/tribute incidence on saltpetre amounted to 3/4 of the total output, if the figures are to be believed.

Effectively, the Sultan was the sole trader in these items, determining both his purchase price and his sale price. For instance, there were detailed procedures for the sale of salt and tobacco to the people via merchants who obtained them from the Sultan at fixed prices. The price fixed varied according to the time elapsed since the departure of the ships. The Sultan maintained a storage facility for the purpose of this trade and shortly before the arrival of a new consignment he would unload all the remaining salt and tobacco in the godown (gedung) at a reduced price, below even the Sultan's original purchase price.[3]

The Sultan could and did appoint others to conduct this trade.[4] He also shared or granted some of the taxes to the anak raja and ministers, or otherwise exempted them, such as in the case of beeswax or padi/rice (see below).[5]

Padi and rice were also monopoly items [larangan], but were perhaps "subjectively" so important[6] that they were given special mention and treated differently. Thus, it appears that no one could take out more than what was required for personal consumption -- estimated at 8 gantangs a month -- on penalty of confiscation of the excess and a fine.

The regulations under Sultan Mohammed Jewa (1710-1778) were even more stringent. If the captain [nakhoda] of a ship carried out rice without the Sultan's seal [meterai] and the laksamana's chop, then the officers in charge [panglima jaga-jaga] were to seize all his property and his ship [rampas segala artanya dan perahunya]. The nakhoda could be killed if he were to resist.[7]

Could it be that padi and rice were not considered to be items of regular "international" commerce, the basis of the Sultan's revenues? Was it a commodity to be conserved for the domestic market,[8] where it was an item of commerce, and for provisioning the needs of merchant ships, and for special export requests, the latter two being an added attraction of Kedah as a port of call?

But Pires reported Kedah as having rice "in quantities" in 1512[9] and in 1642, a Dutch merchant from Melaka, Jan Hermansen, was instructed to purchase all the rice he could get from Kedah and Trang.[10] The shipping lists of Dutch Melaka show that rice and padi were indeed exported.[11]

Whatever the case, by the latter part of 18th century,[12] the ground was laid for padi and rice to become one of Kedah's main exports, a process that was to be consolidated in the 19th century, aided and encouraged by the system of revenue farms, themselves a result of the altered commercial and political circumstances and the termination of the inherent oscillation of the state between centralized and parcellized sovereignty and its development in a centralized direction, despite in-built succession crises.[13]

The manuscript already referred to sets out the basis for the tax on padi and rice. After specifying the amounts of padi and rice that could be carried by each ship, according to their destination, the manuscript continues:

> "With regards to this, there was a time [when is not stated] when the Raja of Kedah received a messenger [penyuruh] and a letter from the General Betawi and the Governador Melaka together with a letter from Senor Barji and Baba Adring requesting 500 koyan of rice because Melaka was experiencing hunger as a result of the non-arrival of rice and padi from Jawa and Aceh. Three large boats [lanca] were sent to transport the rice. The Raja of Kedah was prepared to help and the price was fixed at $50 a koyan.
>
> "The Raja instructed his representative to collect together the rice, but met with unforeseen obstacles. The messenger of the Governador of Melaka requested to purchase from the people [anak negeri] as much as he could. At that time, the price of rice sold in the country was one tali [12.5 cents] for 5 gantang, hence $20 a koyan. He was prepared to pay the profit [faedah] owing to the Raja, amounting to $30 a koyan. He negotiated with the ministers and officers, and the Raja's profit was fixed at $4 for 100 gantang, or $32 a koyan. This became the tax [cukai] on rice bought by the messenger from Governador of Melaka and of Senor Barji and of Baba Adring and he brought back to Melaka 500 koyan. Thus was fixed the custom [adat] regarding taxation on rice at $32 a koyan and of $16 a koyan for padi.
>
> "Some considerable time later, after the settlement of Penang Captain Light and Captain Ascot [a-s-k-i-t] ordered Captain Glass to bring a letter to the Raja regarding the food supplies of people in Penang, requesting the Raja to lift the tax on rice and padi so that the people [anak negeri] and the traders [dagang santri] could buy rice and padi and bring it to Penang. This was not granted.

"Then Captain Light and Captain Ascot sent a letter asking for a reduction on the tax. Captain Glass negotiated with the Raja and the tax was reduced by one-half to a single level of $16 a koyan, while the tax on padi and rice for the guards [mata-mata] watching over the padi and rice was fixed at $1.50 [tengah dua rial] koyan. Thus was fixed the custom [adat] till today.

"Furthermore, during the negotiations with Captain Glass, there was a shortage of rice supplies, deriving from Bengal, for the Company's personnel. Perhaps the ship from Bengal did not arrive. Captain Light and Captain Ascot sent guards [jaga-jaga] and a letter to Kedah to buy padi and rice for the Company personnel. There was no tax on this padi and rice purchased from the people [anak negeri]. Thus the custom [adat] went.

"Annually, approximately 1,200 koyan of padi and rice from Kedah and all its districts was exported, the tax upon it going to the Raja. But a lot of rice and padi was not taxed as a result of a request from the anak-anak raja and the ministers and officers. Thus the Raja did not obtain all the tax; only about half the exports were taxed, approximately 600 koyan, the proceeds, amounting to $9,600, going to the Raja."[14]

Despite the fact that the income deriving from padi and rice exports was not inconsiderable, it is interesting to note that it does not figure at all in the summary accounting of the revenues accruing to Sultan Abdullah, prior to the British takeover of Penang.

Yet by Sultan Ahmad Tajuddin II's time (1804-1821/1843),[15] these taxes figured prominently in the accounts and together with the other taxes accounted for a considerable portion of the Sultan's revenues.[16] In a long lament on the economic misfortunes of Kedah following the British takeover, the text states that there was a fall in income except from padi and rice, a statement repeated subsequently.

More interestingly, there was clear mention of revenue farming together with a picture of a fairly centralized state, no matter how idealized. Indeed, the manuscript in question can be read as a charter for centralization, and a lament against weakness at the centre and the parcellization of sovereignty.

The accession of Sultan Ahmad Tajuddin was much disputed.[17] His uncle, formerly the chieftain of Perlis, was apparently a compromise, a weak Sultan who could not control the chieftains of the various districts and the ministers. The situation is described as chaotic: no one knew what the state's revenues were; all did as they pleased, including the rakyat; the revenues accrued to whoever held a particular mukim, and even then there was considerable leakage; even padi and rice could not be controlled as each river tributary went along with whoever could control it [ikut siapa yang berdan].

Siamese intervention settled the dispute;[18] the country was divided into three major districts, but the deaths of the other two Tunkus resulted in unification, described as "all of Kedah's districts now came under the sole control of the Raja, no longer divided, to be ruled as the Raja wished".[19]

At this time, the birds' nests were farmed out [dipajakkan][20], as were the tin and trade revenues for Kuala Muda, which had previously been under the control of the Sultan's brother, Tunku Ibrahim.[21] There was yet another mention of pajak, apparently of river tributaries. To nothing else was the term "pajak" applied. Shortly thereafter, however, just prior to the Siamese invasion of 1821, many items of revenue were allegedly farmed [diberi pajak] out to Chinese.

The duties from padi and rice were, as mentioned above, now taken into account, and explicitly considered "cukai" (tax). However, the practice of sharing or exempting certain persons was continued, but interestingly, the persons referred to now are "segala mentri-pegawai"; the anak raja are omitted. Nevertheless, exports had increased to 1,600 koyan; the tax on 800 koyan accrued to the Sultan and brought in $13,000, as compared to $9,600 earlier.[22]

The other items were considered in the same vein as previously (profits on trade), except for Javanese tobacco which was now taxed. The main difference here was the drastic fall in income. For instance, elephants which brought in $23,000 previously now only brought in $4,000; beeswax and saltpetre fell from $5,400 to $1,000. Even more dramatically, the income from salt and tobacco (excluding Javanese tobacco) amounted to only $2,400 compared to $9,000 earlier, that from opium fell from $15,000 to $4,000. Finally, the trade in tin, except for what went down the Muda river, appears to have collapsed altogether, not even meriting a mention in Sultan Ahmad Tajuddin's accounts.

In brief, a drastic decline in trade and a virtual collapse of the Sultan's monopoly. This is the context in which the growth of revenue farming, particularly in the latter half of the 19th century, must be viewed. It is also the context for the development of the padi economy and Kedah's specialization as an agricultural producer.

III

The decline in trade and the demise of the Sultan's monopoly can be related directly to the British takeover of Penang and the emergence of a free trade ideology on the part of the British,[23] as well as to developments in India and in the region, not to mention internal conflicts within Kedah and the generally troubled times. The proximity of Penang, and its trade practices, naturally proved attractive and provided a means of evasion on the part of the people of Kedah.

This was clearly recognised by the writer of the Peringatan Raja-Raja Kedah. Direct trade with Terengganu and Kelantan deprived Kedah of its role as intermediary and encouraged Patani people to go to those places to trade. As the Peringatan puts it, "Everyone from Patani went to buy and sell and to purchase opium in Terengganu and Kelantan; they no longer came to trade in Kedah." The people also smuggled in opium and "all efforts -- arrests, confiscation and fines -- to control this was pointless because it could be obtained in Penang, which was closer". Similarly, salt was imported into Singgora and Kedahans smuggled it in from there. The people began planting their own tobacco and cotton. Chinese junks and Kalinga and Surat ships stopped coming. As for tin, there weren't many mines in Kedah itself; the bulk of it came from Ulu Perak and Ulu Patani and when they could sell in Penang, they went there; furthermore, they demanded higher prices.[24]

The re-direction of trade to Penang was not something Kedah's rulers could circumvent.[25] But they could hope to cut back on the evasion of the people, locate new sources of revenue, expand those that could be expanded and tap previously untapped ones. They could also complete the process that had begun centuries earlier -- that of developing the agricultural base of the country.

To do this, a more powerful centre had to emerge. In the attempt, they were to be assisted by the revenue farm system,[26] the government in Penang, the changed regional circumstances, the Siamese (Ligor) invasion and subsequently Siam's centralized and stable kingdom, concerned to maintain stability and prevent European encroachment upon it.

The revenue farm system, as it developed in Kedah in the later 19th century, was not the mark of a weak centre but of an increasingly strong one.[27] The system itself contributed to that strengthening, as its spread deprived potential political opponents of the resources they needed to mount a challenge,[28] while leaving the revenue farmer to perform a balancing act, if necessary, between the demands of the central power and those of lesser chiefs.

True, the system was not without cost. But that would have to be weighed against the alternatives or even the absence of a viable alternative. In that sense, the economic cost was theoretical, while the gains were tangible and real.[29]

But the growth of the system begs a chicken-and-egg consideration. Political opposition to the centre had to be sufficiently weak in order that centrally awarded revenue farms could be run even partially successfully; on the other hand, central control of the revenue farms was the basis for eroding political opposition which could then be placated with the resources now at the disposal of the centre.

The solution to this problem was key. Failure, at least in the case of the Malay states, was more often the rule. Kedah was one of the few to succeed.[30] Why?

IV

One can only speculate. In the years up to 1821, Kedah, although relatively centralized, was periodically torn by internecine conflict, often vicious. Yet it must be noted that this conflict was always for control of the centre, not to break free of it. British presence in Penang and the erosion of Kedah's economic position impoverished all quarters within the ruling class. This would have generated a scramble for resources, besides the normal succession scramble.[31] The succession to Abdullah is perhaps illustrative.[32] In the context, such a scramble weakened all parties further. With Siam's, or rather Singgora's, backing,[33] Ahmad Tajuddin won this contest, gaining command not only of the symbols of state, and the payment for the lease of Penang, but of the emerging backbone of Kedah, the central districts[34] -- but only to lose it because of an opponent able to muster support from Siam or, rather, Ligor. The subsequent Siamese (or Ligorian) invasion and occupation, the counter-attacks by Ahmad Tajuddin's faction and the concommitant out-migration submerged not only the central power but also its opponents.[35] It also taught the Siamese a lesson.[36] But it also meant that when the Sultan was restored, he and his successors had a freer hand in rebuilding the administration, with Bangkok's backing.[37] In the process was created a salaried bureaucracy, dependent upon the centre for its remuneration, and made further dependent by their inability to keep their expenditure within their means.[38] By Sultan Abdul Hamid's (1882-1943) time Kedah had a land office, a treasury, a court system, a salaried district administration answerable to the centre, a police force, a rudimentary health service, a rudimentary surveys department, a rudimentary veterinary service, a postal service, a telegraph service,[39] etc., based on a financial system centred upon revenue farms.[40] Indeed, by then, a sense of a separation between public and private, between governmental and personal, had begun to develop.[41]

The central power was also assisted by the fact that in the second half of the 19th century, political opponents found it difficult to obtain traditional allies elsewhere in the region. Siam played a stabilizing role. Penang, not particularly interested in Kedah, except as a source of food supplies, desired stability. The concern to keep other powers out of Kedah slowed down the rate of growth of investments there and thus that sudden explosion in economic wealth that might have provided the resources and incentive for challenges to central power. Furthermore, after 1874 and especially after the 1880s, the competition for labour between Perak, Penang and Kedah, worked to slow down development in Kedah.[42] The absence of rich tin deposits in Kedah, comparable to that of Perak, also helped. By the 1860s and 1870s, when Kulim and, to some degree, Kuala Muda were opened up as mining and plantation districts, the central power was sufficiently strong and the potential challengers sufficiently under control not to result in another Perak.

The fact that the vast majority of revenue farmers derived from the ranks of, or were associated with, prominent merchants in Penang was further encouragement to the SS government to ensure Kedah's stability, and as the century wore on, the linkages between Kedah and the Penang business community were such as to threaten major bankruptcies as a result of Kedah's financial crisis at the end of the century.

The Penang origin of the revenue farmers was an advantage to the centre in Kedah.[43] The farms were granted by the central power and deposits and monthly payments were made to that power.[44] A default on payment meant loss of the farm and of the deposit.[45] Abstracted from the political situation as long as it did not encroach onto his interests, concerned mainly at turning out a profit on the farm, the farmer did not engage in unsettling alliances with hopeful contenders as such alliances could result in absolute loss. The farmer could also be relied upon to police his farm area, using his own appointees/employees.[46] At the same time, as a Penang resident, he apparently had to appoint a local representative, perhaps because the latter could be subjected to pressure if necessary.[47] Finally, the Penang farmer not only served to strengthen the central power by the link, based upon hard economic interest, thus created, but could also enlist the aid of the Penang government if provincial troubles were to threaten his interests. This did not always work out unambiguously as sometimes, the farmer could threaten to turn to the Penang government in a dispute with the Sultan.[48]

Thus the system of revenue farming was key in the process of centralization of state power. But it could only have done so in the context outlined above. At the same time, revenue farming could also have a contrary effect with respect to the creation of an internally unified market. The more parcellized the state, the more revenues could be generated. Thus, for example, movement of cattle from one district to another was subject to a tax; a unification of the internal market would do away with such a farm. But the major products, padi and rice, tapioca, tin, rubber, were taxed as export items only on leaving the state. The system can perhaps be seen as generating a contradiction between an increasingly centralized state power overseeing a decentralized economy that could be an obstacle to merchants and to productive investors. But to the extent that the revenue farmers were themselves often the merchants as well as the productive investors, this did not give rise to serious conflict in practice. In any case, the state itself attempted to centralize the economy within the framework of the revenue farms.[49]

In brief, revenue farming, as it [was] developed, by-passed potential opponents and channelled resources to the centre without requiring the centre to continually be on the look-out for potential challengers. In addition, such a system could grow with minimal effort on the part of the state. Virtually every item could be taxed if someone could be found willing to farm it; and the farmer could be a buffer between state and people. The reason for revenue farms, therefore, is not just the lack of a sufficiently developed administrative structure or the desire to leave the necessary organization to the farmer.[50]

Nevertheless, the Sultan was aware of the dangers of excessive taxation as illustrated by his response to Bangkok's instructions to impose a 3% tax on all other items not covered by revenue farms. He proposed not imposing the tax until after the tobacco tax was lifted. In the event, the tax was imposed without the tobacco tax being lifted.

But this was not the only use of revenue farming. In an economy that was chronically short of cash, with a ruling class unable to keep its expenditure within the limits of revenue, and the lack of access to bank finance as well as the generally high cost of finance, revenue farmers proved a useful, but perhaps ultimately destructive, source of low-cost finance.[51]

V

The early farming of the revenues of Kuala Muda can be viewed as an attempt to circumvent the power of local powerholders at a time when central state power was still precarious.[52] As already noted, just prior to the Siamese invasion of 1821, many items of revenue were already farmed out. The practice was resumed and enlarged subsequent to the Sultan's restoration in 1843.

This, however, did not mean that all farms were directly granted by the Sultan. The practice of awarding revenues to various persons (who then farmed it out) apparently continued and was to continue right into the early 20th century. But by then only minor revenues were given to various individuals in lieu of salary or as an outright gift.

At mid-century, substantial revenues were still awarded to others. Sultan Ahmad Tajuddin III (1854-1879), for instance, apparently gave Tunku Dhiauddin (Tunku Kudin of Selangor Civil War fame) the padi and rice revenues as well as the port dues [hasil pass perahu] of Kedah, while Tunku Yaacob was granted the liquor farm dues for Kota Setar[53] and Tunku Yusuf was given the revenue from Kerian district.[54] All three were his brothers, while Tunku Kudin was Raja Muda until subsequently dispossessed of that post, and replaced by Tunku Yaacob (a competitor), because of his involvement in Selangor.

Ahmad Tajuddin's time was, however, in fact one of major centralization of power; most of the positions of notables were either eliminated or allowed to lapse and were replaced by Penang-style officials in a rudimentary "modern" bureaucracy. New sources of revenue were also created with the opening up of Kulim and Kuala Muda for plantation agriculture and for mining. These were to become major sources of revenue via the consumption of opium, and gambling.[55]

Ahmad Tajuddin's successor, Zainal Rashid, ruled very briefly with Tunku Kudin and Tunku Yaacob as Regents.[56] Zainal Rashid made a grant of the revenues from the Chinese tobacco farm of Kedah as well as control over Kuala Muda to Tunku Yusuf,[57] an ally of Tunku Kudin.

It would appear therefore that the stage was set for a typical internecine quarrel. Yet when Abdul Hamid succeeded, ostensibly against the wishes of the notables [orang-orang besar],[58] he felt sufficiently confident to resume the revenues held by Kudin and demand payment on the deposit which had to be returned to the farmer.[59] In return, Tunku Kudin was given a fixed monthly income.[60] He also resumed the various grants to Tunku Yusuf,[61] and Tunku Yaacob himself went to Kuala Muda and Kerian and sacked all the penghulu [heads of mukims] appointed by Tunku Yusuf and issued a directive to the rakyat there that they were not to receive any orders from Tunku Yusuf, only from Tunku Yaacob and Sultan Abdul Hamid.[62] Tunku Yaacob, being an ally, relinquished the farm he held, also in return for a fixed monthly income.

Four years later, Abdul Hamid went further. Under the guise of cost-cutting measures in the face of a financial crisis (resolved as in the subsequent case by a loan from Bangkok), he slashed or suspended the monthly income of both Tunku Kudin and Tunku Yusuf. He justified it with the excuse that continued payment of such a high allowance would be a bad example for the others, citing as an instance, Wan Mohammed Saman who received only $300 a month and because of debts incurred in building his canal was left with a net income of just over $3 a month.[63] In reply, Tunku Kudin could only protest to Bangkok at the injustice and try a few half-hearted measures to get himself reinstated.[64] The centralization of the state, within an "absolutist" framework, was complete. This was to be registered by a shift in terminology. Whereas previously, "Kedah" referred primarily to the royal district, Kota Setar, and the state as a whole would be referred to as "Kedah and its subordinate districts" (Negeri Kedah dan jajahan-jajahan takluknya), "Kedah" now referred to the state as we know it today, and the centre was referred to as Kota Setar. This shift in terminology occurred within the space of over a decade. In the 1880s, the former usage was still dominant; by the late 1890s, the latter usage prevailed.

It is to be noted that throughout all this, there is no evidence that the revenue farmers took sides. They were content to reap the benefits of their activities, opening up Kedah to plantation agriculture and developing the domestic economy, with the blessings of the state, in the directions permitted it by the suffocating presence of Penang and, generally, British imperialism. Thus, whatever manufactures there were were to die out rapidly, perhaps leaving only brick-making for export to Penang; metal-working, weaving (the British were able to find only one weaver in all of Kedah in the 1930s), handicrafts were all to virtually disappear.[65] The agricultural economy grew and became more and more commercial, under the push of revenue farming and aided and abetted by the indigenous ruling class -- the growth of the padi and rice farm apparently from about $18,000 p.a. to $100,000 p.a. in the space to 10 years,[66] the growth of pawnbroking farms, the cases and disputes involving indebtedness,[67] the sale of false land titles,[68] the mortgages and auctions of land, the volume of passenger traffic on the ferries,[69] can be viewed as indicators of this.

VI

That revenue farming, as it operated in practice, was not purely predatory can perhaps be illustrated by a few examples which also attest to the consciousness with which the state played its role.

On 13.iv.1316 (c.1898), a Lee Ban Teong obtained the tobacco, gambier, salt and 3% tax farm for Kuala Muda and Merbok for $11,540 a year. This farm and the taxes that could be charged, were governed by a law passed by Sultan Abdul Hamid on 15.x.1310 (c.1892). Notably, the official grant letter states that the farmer is not to collect any tax on tobacco plants grown within the area governed by the farm, except when the tobacco was exported. This was clearly an attempt not to discourage tobacco cultivation and should be compared with the lament at the beginning of the century (see above) that the profits from the tobacco trade had fallen considerably because the people had taken to cultivating it.[70]

More importantly, the grant stated that the taxes on those working estates and mines were to be in accordance with the agreements signed with them. These were agreements contracted by the state.

The state, it would appear, granted special terms to such investors. Thus, in the tin farm for Kulim, granted on 24.xii.1316 (c.1898) to Loh Lan Chong for $7,000 a year, he was informed that "anyone wishing to mine tin in a big way within your farm area will not be subject to your farm but will instead follow their agreements with us".[71] The same was true for the tin farm in Kerian granted on the same date also to Loh Lan Chong.

The tin farm for Kelian Bandar and Karangan and for the tin coming down river from Patani as well as the various types of rubber in Kuala Muda and Merbok, granted on 22.vii.1316 to Cheng Kian for $7,200 a year, the rate being $9 a bahara for tin and 15 katis for every pikul of rubber, excluded "the areas in Merbok being explored by Europeans [orang putih] for the purposes of tin mining. If the Europeans subsequently do mine in those areas, we will collect ourselves".

This concern with large investors continually found the Kedah authorities afoul of the British in Penang who in turn put pressure on Bangkok, citing the so-called Secret Protocol of 1897, when it became available. Nevertheless, this concern was sufficient for Sultan Abdul

Hamid to actually organize what might be called an investment party. He invited all interested in taking up land in Kedah for plantation purposes to his residence in Lubuk Pusing for 3–4 days to go hunting and to watch Mak Yong! He also extended an invitation to Swettenham to join them.

The attempt to get the SS government to allow the entry of Indian labour into Kedah has already been mentioned. It provides yet another instance of how the state attempted to increase its revenues by trying to provide the conditions for economically productive activity.

On the part of the revenue farmers, we have the instance of Lim Leng Cheak's proposal to construct a road from Kulim to Karangan in return for a grant of land and the revenues from a number of revenue farms as well as the right to collect toll on tin coming down the road for a period of 10 years. On his part, he would surrender both the road to be constructed as well as the road now on his land to the state when the concession expired. Shades of contemporary Malaysia![72]

Leng Cheak, indeed, was so close to the Sultan that he could be considered an integral part of the state financial machinery. He would pay out allocations for salaries from the monthly farm payments in accordance with directions from the Sultan. These were not grants of revenue.[73] Thus he was instructed to give Tunku Mohammed Saad, the district officer in Kulim and Wan Mat (Wan Mohammed Saman, the Chief Minister?), $306 and $530 monthly for them to pay salaries of those in the state's employ. In addition, if there were incidental expenses with bills, Leng Cheak could give Tunku Mohammed Saad up to $50 and Wan Mat up to $20 a month. Bills not related to state matters were not to be accepted and the bills were to be forwarded to Syed Abdullah, the Treasurer. Furthermore, Leng Cheak was to give Tunku Mohammed Saad $300 for the purposes of road construction in Kulim.[74]

The same Leng Cheak was subsequently to propose bringing in water pumps to pump water into the padi fields [bomba tolong air di dalam bendang]. There had been a series of droughts which had apparently caused great hardship because of inability to cultivate successfully.[75] The Sultan agreed after consultation with his Chief Minister, Wan Mohammed Saman, because "if we don't buy the pumps now, there will surely be hardship on the part of the people and I and you will incur considerable losses because of non-cultivation".[76] He suggested buying 2 or 3 pumps for use that year and requested Leng Cheak to look into prices. He also requested Leng Cheak to look into a pump from Sandilands Buttery for Wan Mohammed Saman.[77]

Phuah Hin Leong, who took over the padi and rice farm from Leng Cheak was similarly involved in questions of padi cultivation, in his case, loans to padi farmers. As noted above, the early 1890s were drought years.[78] In addition, there was a major cattle epidemic.[79] In consequence, in May 1894, the Sultan wrote to Phuah Hin Leong requesting that he extend loans to padi farmers to enable them to cultivate, suggesting that such loans could be given out only to those with proper security. Phuah replied in the affirmative, and the Sultan assured him that he would not contract any losses from this, suggesting various alternatives by which the loan could be secured.[80]

While it is more than possible to question the wisdom of the proposal as far as the rakyat were concerned, the point here is that the revenue farmer was clearly involved in production questions and had a clear interest to see to it that it proceeded unimpeded. His income (and the Sultan's), after all, was very much tied to the production of an exportable surplus; the larger that surplus, the greater his profits. In this way, wittingly or unwittingly, the revenue farming of exportable items such as padi and rice had the effect of encouraging the growth of production.

By the same token, the farming of duties upon imports would also encourage attempts to increase consumption, which would be dependent upon the ability of the population to buy. At the bottom level, it would tend to encourage participation within the money economy and the entry of products, which might otherwise have been consumed directly or have only entered into the reciprocal exchange economy, into the commercial economy. At a higher level, it would encourage production of marketable commodities, using consumption as the lever. As such products were either drawn into the commercial economy or were produced, further revenue possibilities were generated.

But this logic, as already noted, also resulted in imposts on virtually the whole range of consumption and more. A law, introduced in

1299/1882, imposed a licence fee on boats; there was a toll on vehicles leaving Kulim; another law, amended or introduced in 1311/1895, imposed a duty on hen/duck/quail's eggs; then there were the various ferry farms, and so on. All irksome for the people, and inimical to the full development of an internal market, but not altogether unwelcome to the state and definitely attractive to revenue farmers.

VII

Could the system have gone on? The fact was that it didn't. But that was a practical result of British colonial rule,[81] hence a consequence of a different dynamic from that which had produced the system. There was no sign that the indigenous authorities were about to do away with the system even as they tried to rationalise it by grouping together farms of various districts and slowly, but unevenly, do away with internal customs barriers.

Furthermore, it was not quite true that the system was very rigid.[82] It may not have had the flexibility available to government-administered taxes, but governments, too, could not and cannot adjust taxes as and when they please. The revenue farms did afford some flexibility, as indicated above, and as indicated in an instance in which Leng Cheak was able to successfully appeal against taxation of wood imported for use in his mill[83] on the grounds that it was meant for his own use, not for sale.[84] On the other hand, he appeared not to have been that successful earlier when he appealed for tax exemption on padi imports for processing at his rice mill. But that could have been because it was shortly after his break with the Sultan over the question of reduction of the rent on the padi/rice farm. This had resulted in a transfer of the farm to Phuah Hin Leong. Leng Cheak was told to refer to Phuah, and the Sultan reminded him that he had held the farm and that the Sultan had wanted him to hold it in order to assist him.

If it was desirable to remove or reduce duties on a particular item, the farm, theoretically, could have been allowed to lapse or its rent reduced. But this required the political system to have the capacity to act in accordance with its needs and the needs of the situation. Thus, the heart of the matter was the political order -- as is usually the case in non-capitalist societies.

The financial crisis of the early 1900s[85] (and an earlier one in 1887) indicated that there were crucial flaws in the linkage between the given political order and the financial system. This led to massive "mortgaging" of the country's future farm revenues for the purposes of raising immediate cash in the form of deposits for lets on farms, at current rates, four/five years in the future, as well as loans. Little or no consideration was given to what future revenues might be. The rulers could not, as happened in early modern Europe, suddenly discover the sin of interest and renounce all debts. Given the context of the larger world and regional economy, what could have happened?

A logical analysis might suggest that as the bureaucracy grew, it could have slowly gained control over the revenue farms, indeed displaced them, particularly as it began to obtain information as to the size of the leakage from the government coffers due to revenue farming. Historically, it could well have developed the other way: the revenue farmers holding a financially crisis-prone political system to ransom and making it even more crisis-prone by bleeding it financially. The balance would have shifted; the result would probably have been stagnation, if not strangulation of further development, and ultimately the demise of the whole system.

In the event, the loan from Siam allowed for certain modifications to the political order, effecting a [temporary?] respite. Then the British stepped in -- but that is a different story.

1. A version of the Undang-Undang Kedah (ANM K/PU1) states that in the reign of Sultan Mohammed Jewa, Abdullah's father, the number of monopoly items was increased because (and this is contradictory) "prior to his time there was no royal trading [tiada apa perniagaan raja], only various taxes and tributes and export dues [hasil(,) mahsul(,) cukai(,) kharajat]". The Undang-Undang lists 8 monopoly items: opium [apiun], salt, tobacco, cotton, tin, elephants, beeswax and ivory. The penalty for breaking the monopoly was confiscation of property, including the house, and a fine. Other items were taxed, and a long listing is given. The tax on saltpetre was 2 kupang a pikul; on gunpowder, 2 emas a nalih; on rice, 3 emas a koyan (a heavy tax); on prawns, 2 kupang a pikul. The tax was imposed on the seller if the item was an import, and on the buyer, if it was an export. The law then goes on to give a long schedule of taxes on elephants -- a tax on every part of the elephant and to whom the tax belongs -- and all the preparations for loading an elephant.

This version of the Undang-Undang Kedah differs considerably from other extant versions. A publication is in preparation.

2. Peringatan Raja-Raja Kedah. This mss. probably dates from the mid-1800s. To the best of my knowledge, it has never been seriously studied, hence the extensive extracts here.

3. The following is a rough translation of the account given in the Peringatan Raja-Raja Kedah:

> There are four price levels in the Raja's sale of tobacco and salt. Occasionally, when there is a reduced supply of salt and tobacco, there may be as many as five or six price levels.
>
> The first level is when the Kalinga ships arrive and the price of salt and tobacco has been decided. Then all the merchants [saudagar] in the four towns, Alor Setar and Kuala and Anak Bukit and Limbong, (incidentally indicating that the only effective area of control was the royal district of Kota Setar; this was the meaning of "negeri Kedah", the other districts being "jajahan-jajahannya") are instructed to receive the salt and tobacco at the ship, 10 koyan of salt and 40 bahara of tobacco per town. The price of salt is $50 a koyan and that of tobacco is $40 a bahara.
>
> Fine salt and broken tobacco [tembakau kecik] is similarly divided, each being given a little. The price of fine white salt is $30 a koyan, similarly $30 for tobacco.
>
> When this allocation of salt and tobacco is sold out, the merchants will arrange to come and ask for more. At that time, the ship's people [orang kapal] will be in the midst of figuring the goods they will load for their return journey to the Kalinga country. The merchants will be given what they request but not more than what they were given previously. In

this matter, if there is a lot of salt and tobacco, they will be given a bit more, and vice-versa. The price will be increased by $5.

If this is also sold out to the people of the country [anak negeri], further requests will not be entertained. They will be told to wait for the ships to sail and to gather the cost of the salt and tobacco they have taken on these two occasions. Thus, the merchants will settle the payments due.

When the ship has sailed, the merchants will be given salt and tobacco, as much as they request. But the price will be increased by $10 for both salt and tobacco, occasionally less.

After two months, they will come and make another request, and their requests will be granted. The price will be increased by $10, sometimes $15, according to supply. After another two months, they will gather again and make their requests. At that time, the supply of salt and tobacco in the Raja's godown will be determined. If there is a lot, their requests will be granted; the price will be increased by another $10, more or less. If there is not much salt and tobacco in the Raja's godown, only a part of their requests will be satisfied, and the price will be increased by $15 or $20 a bahara, according to the reserves. After a month, another request, which will be satisfied and the price will be higher. Occasionally, the price of salt goes up to $120 a koyan and that of tobacco to $100 a bahara. Each time they make a request, it will be satisfied to some extent, but without exhausting reserves.

In this matter, the date of arrival of the ships from Kalinga will be calculated, as the season has arrived. Then all the merchants will be called and given salt and tobacco, a little to each, and the price will be reduced from previously to $15 or $20 a koyan for salt, similarly with tobacco. After 15 or 20 days, more salt and tobacco will be provided to the merchants and payment will be required of them. The price will be reduced accordingly. Hence, salt and tobacco will be cheap.

The Kalinga ships arrive and information as to the number wishing to come to Kedah is obtained, and the price of salt and tobacco will again be decided upon more or less as previously, and the merchants are given their allocation as before.

Thus it has been commanded.

The profits [kelabaan] on salt and tobacco accruing to the Raja comes up to $10,000, more or less. From this amount must be deducted the Raja's expenses, including the Raja's own expenditure and payments to the ministers and officers [menteri pegawai] and to the "anak-anak raja", amounting to about

$1,000, leaving an income of about $9,000 to the Raja.

4. See, R. Bonney (1971), Kedah, 1771–1821, Ch. 2, which discusses the lease of Kuala Kedah to Light by which 2/3 of the profits from trade were to be divided equally between Jourdain, Sullivan and De Souza, with the remaining third to be given to Light for the maintenance of the sepoys and the agency house. See also Winstedt (1936), p. 179.

Light himself, of course, had earlier noted that a Malabar merchant managed the trade for the Sultan. See also, Anderson (1824: 52).

See also, B. Andaya (1978), The Indian "saudagar raja" in traditional Malay Courts, JMBRAS 51(1).

5. Thus, the Peringatan Raja–Raja Kedah notes that the income deriving from the the various poll and hut taxes, the bunga emas tax, the taxes on elephants and buffaloes, as well as the land rent and premium amounted to some $24,000. The total income from the monopoly on the 9 items, plus profits on other items of trade such as muslin cloth, crockery [pinggan–mangkuk], etc., but excluding the profits from padi and rice, interestingly enough, amounted to an estimated $136,000. Of the $24,000 from taxes, more than $10,000 were granted to the ministers and officers.

I am not altogether certain about the interpretation of this section of the text. It could possibly mean that the ministers and officers obtained more than $10,000, while the Sultan received $24,000. In so far as the accounting mentions "pajak anak sungei", which I take to mean policing action to catch evaders, the proper reading might well be this. In the late 19th century, the fines upon tax evaders was divided into 3, 2 parts going to the Sultan and 1 to the tax farmer. The goods seized were similarly divided into 3 parts, 2 going to the Sultan and 1 to the person effecting the arrest, an appointee of the farmer.

In the case of beeswax, something like one–half of the output due to the Raja was granted to the anak raja and the menteri–pegawai. The excess output, beyond that due to the Raja, was granted to the persons in charge of collecting it, but they had to sell to the Raja. Similarly, the anak negeri, who collected from the jungle, had to sell to the Raja.

It is also interesting to note that in the accounting given in this manuscript of the Sultan's income, no mention is made of the various port dues. That there were port dues is certain not only from the various versions of the Undang–Undang Kedah, but also from the agreement between Edward Monckton, on behalf of the EIC, and the Sultan of Kedah, in which Monckton was granted the port dues at Kuala Kedah and Kuala Perlis for the maintenance of the fort and armed men. See Bonney (1971), Ch. 2.

On the question of grants of taxes to favoured individuals, the Peringatan Raja–Raja Kedah mentions that anyone trapping selected types of elephant and making a gift of it to the Sultan would be granted the taxes on a river tributary (anak sungei).

As to the effectiveness of such taxes, Anderson (1824: 52) notes that "the feudal obligations of his [Sultan's] people [were] generally ill complied with and ineffective when collected". Low (1842) paints a different picture.

6. Possibly because of the uncertainties of the crop. It appears that major crop failures were a regularity, occuring perhaps, at least once every ten years, with less drastic shortfalls in between, a cycle that continued right up till the 1930s. These failures were a result of drought. Even today, at an interval of once every ten years, the off-season irrigated padi crop in Kedah has to be called off because of a shortage of water. This was coupled with a regular cycle of buffalo and cattle disease (rinderpest), a cycle that was not broken till the 1930s. Even as late as the 1920s, the fear of a padi and rice shortage in the country could trigger off a partial or total ban on the export of padi and rice. The degree to which the crop could fail can be gauged by petitions from farmers arising out of the 1921 crop failure. Several of the petitions mention virtually total failure; several others admit to obtaining up to one-third of the usual yield. But note Barbara Andaya's comment that "a shortage of rice was a chronic problem for most Malay states except Kedah" (B. Andaya (1979:38, note 66).

A letter from Sultan Mohammed Jewa (1710-1778) to Francis Light at Salang dated 29 October 1773 in response to the the latter's request to purchase rice indicates that there was no padi to be had and there had been mass hunger. See, R. Jones (1981), Two Malay letters written by Sultan Muhammad Jiwa Muazzam Syah of Kedah to Captain Francis Light, JMBRAS 54(3). But in this instance, the shortage was probably the result of violent internecine struggles.

Incidentally, Jones also published another brief letter written on the orders of a mosque official to a Toh Kaya Kapitan requesting to purchase 2 kunca [1 kunca=160 gantangs or 1/5 of a koyan] of padi for $5 a kunca -- an indication, perhaps, of the amount of control over padi and rice.

7. These regulations are to be found in Raffles Malay 77, together with other laws pertaining to Kedah. It should be noted that this particular ruling pertaining to rice contrasts quite starkly with the greater liberalness of the laws with respect to merchants. The version of the Undang-Undang Kedah referred to in Note 1 even explains why merchants are exempted from corvee of all sorts -- their activity brings great benefit to all. See the extract in Khoo Khay Jin (1985), The Undang-Undang Kedah, unpub. typescript.

The implication of a monopoly on padi and rice should be compared with a different account in Mohammed Hassan's history of Kedah, where it is reported that Sultan Mohammed Jewa consulted with his ministers on his proposal to buy up all the available padi in Kedah and the trade of other countries, i.e., India and Jawa, for the purpose of making a profit. The religious teacher, Sheikh Abdul Jalil, counselled against it saying that it was against the custom [adat] of rajas to become merchants [saudagar], for buying and selling was the work of merchants, not rajas and the major ministers; that if rajas and ministers were to engage in such work, the merchants and rakyat would suffer, hence the revenue [hasil] of the state would fall, the treasury would fall empty and the raja would become weak. See, Mohammed Hassan (1928), Al-tarikh Salasilah Negeri Kedah Darulaman, pp. 136ff. See C. Trocki (1979) for the temenggung's reply to a suggestion that he engage in trade.

Obviously, the practice was rather different. As for engaging in trade in general, as late as the 1850s, the Sultan of Kedah was still a participant, although indirectly. See, Cases Heard and Determined in HM Supreme Court of the SS, 1808-1854, Vol. I, pp. 145ff. which records a suit by a merchant resident in Penang, Nairne, against Ahmed Tajuddin and a Kedah trader, Wan Ismail. Wan Ismail may well have been the father of Wan Mohammed Saman, the well-known Chief Minister in the last quarter of the century. See Gullick (1985). See also next note.

8. The Undang-Undang Kedah contains an appointment letter for panglima in Perlis in the time of Sultan Ahmad Tajuddin (not certain which one, as the following appointment letter, for mosque officials gives a date of 1104/1692, which would imply Ahmad Tajuddin I) in which it is stated that padi and rice in Perlis should not be allowed out to other countries because "all rational people [segala yang berakal] know that if it is allowed out, padi and rice will become expensive". The text states that this will be a loss to all and all will experience hunger and the people will be in debt. Cf. the version in Raffles Malay 77.

It also contains a page of instructions to persons appointed by Sultan Mohammed Jewa in 1140/1728 to take a vessel [kechi], Fatah al-Rahman, purchased and equipped by him for trading purposes. The cargo did not contain any padi or rice. There was tin, black pepper, sugar [sakar pasir], beeswax, saltpetre, etc., but <u>no</u> padi or rice.

9. A. Cortesao (1944), The Suma Oriental of Tome Pires, 1512-15, p. 106-07.

10. R. Winstedt (1936), "Notes on the History of Kedah", JMBRAS 14(3): 165.

11. See, Lee Kam Hing (1986), The Shipping List of Dutch Melaka, in Ships and Sunken Treasure.

However, it may be argued that the amount exported was very little. Anderson's (1824:151) figure of 2,000 koyans of padi (although he states rice, the conversion he gives of 80,000 pikuls indicates that padi is meant) for 1785 represented the output of 8,000 relung of bendang (taking a modest yield of 200 gantang per relung). If one assumes a low average of 4 relung per household (in the early 20th century, it was common for persons to apply for 10 relung of bendang; the present average area operated is about 5-6 relung), this would represent the surplus output (taking household needs at 500 gantang p.a.) of about 5,300 households. Taking Anderson's population figure of 80,000, at an average of 5 persons per household, the above would still amount to only 1/3 of total households. The 1911 Malay population was 200,000.

But this calculation only leads to the question: what happened to the rest of the output?

12. By 1840, Low was to observed that Kedah's "chief products were grain, cattle, tin and rattans" (in that order?) Perceptions, and the reality, of Kedah's place in the order of commerce had changed, for in 1772, Monckton had asked for and obtained the monopoly over the trade in black pepper, ivory and tin.

13. For a recent discussion of these crises, and the role of Siam in overcoming them, in the second half of the 19th century, see Gullick (1985; 1987). The process of centralization was crucially dependent upon the Siamese role (see besides Gullick, Kobkua Pian (1986)) and not primarily in the "negative" sense of having created a consciousness within Kedah's ruling circles of the need for unity, as Sharom (1969) claims.

14. The ideological component within this passage is clear: to stake a claim to the correctness of the taxes upon rice supplies and to show that they were fixed at a generous level. Taxes upon rice and padi were to be subject to continuous contention until finally fixed by the Anglo-Siamese agreement of 1867. At that point, it was fixed at one-half of this level, and remained at that level till the 1910s.

15. There is some disagreement as to whether this Ahmad Tajuddin was the first. Gullick's recent work says so, but Malay sources suggest that he was the second Ahmad Tajuddin. See Mohammed Hassan (1928) and the list of Sultans in the version of the Undang-Undang Kedah cited above. In these accounts, accepted by Hj Buyong Adil (1981), the first Ahmad Tajuddin reigned very briefly at the beginning of the 18th century, just before Sultan Mohammed Jewa. The Peringatan Raja-Raja Kedah omits mention of this 1st Ahmad Tajuddin in its listing. The Peraturan Raja-Raja Negeri Kedah starts its genealogy with Sultan Mohammed Jewa. Winstedt also omits mention of the 1st Ahmad Tajuddin.

16. Amounting to one-half of total revenue. Again, it is necessary to stress the ideological character of the manuscript. It was clearly one of its intentions to demonstrate the losses caused to Kedah and the Sultan by the settlement of Penang -- no mention is made of the pressures from Siam. Thus, the fall in revenue may well have been exaggerated. At the same time, to the degree that this tallies with other sources, there is no reason to disbelief it. There is also no reason to disbelief that the establishment of Penang posed considerable problems for the Sultan in his attempts to control leakages caused either by the anak raja and menteri-

pegawai and merchants, or by the people. For my purposes, what is of interest is not so much the absolute figures as the categories deemed significant in accounting for the Sultan's revenues.

17. The pre-1821 period is well-covered in Bonney (1971). See also, Muhammad Yusoff Hashim (1980), Syair Sultan Maulana, esp. Ch. II. Muhammad Yusoff covers the period 1800-1810. The intention here is simply to present material from the Peringatan Raja-Raja Kedah without any intention to smooth over the many, many dissensions and conflicts both within Kedah and between the Sultan and other regional powers, particularly Siam and Burma. This material has not yet received the consideration it deserves. Muhammad Yusoff was aware of the manuscript and cites it in a few minor footnotes, but did not find it pertinent to his purpose. A part of the manuscript was extracted and presented as a talk by Wan Ibrahim Wan Soloh in 1961 under the title "Chara-chara Mengutip Hasil Negeri Dalam Masa Pemerintahan Sultan Abdullah Mukkaram Shah". That's it.

18. The document is remarkably frank regarding the Siamese role in installing Sultan Ahmad Tajuddin and helping in the consolidation of central state power. As will be seen, this is similarly the case with a subsequent manuscript detailing one version of the dispute behind Sultan Abdul Hamid's accession at the end of the 19th century, the difference being that the later manuscript disputes the legitimacy of the accession, whereas the earlier clearly legitimizes Ahmad Tajuddin. But clearly in both instances, Siamese backing won them their power, while in Ahmad Tajuddin's case, he lost it because of the loss of that backing.

19. Not quite. Again, Bonney (1971) is the standard reference here. Sultan Ahmad Tajuddin was under continuous pressure from Siam to participate in its ventures against Burma, having to send men and supplies for the purpose. Under Siamese pressure, he also had to invade Perak. There was fear of a Siamese invasion of Kedah itself, which indeed occurred in 1821.

The author of the manuscript was being disingenuous in suggesting there was peace and quiet after the division of the country and, even more so, after the death of Tunku Bisnu and Tunku Ibrahim. According to Bonney, Tunku Bisnu caused continual problems for Ahmad Tajuddin, conniving with the Siamese authorities in this. Tunku Ibrahim died "after attempting another major rebellion...in 1815" (p. 162n). But Ahmad Tajuddin's major problem was to come from another brother (by a different mother) and the new Raja Muda, Tunku Embon (Tunku Amboon in Bonney), who allied with Ligor to invade Kedah. Ahmad Tajuddin himself reportedly engaged in merry-making in the last couple of years prior to the invasion, leaving the government to "his principal adviser, a Chulia merchant....who misappropriated the revenues" (Bonney, 1971: 162n) and alienated the menteris.

In talking of Siamese authorities here, it may be more accurate to say Ligor and Singgora.

20. The difference in terminology is of interest. In the accounting of Sultan Abdullah's revenues, this item is described as "hasil sarang burung", whereas for Sultan Ahmad Tajuddin, it is itemized as "pajak sarang burung". In describing the item, the words used are "perintah sarang burung hasil Teluk Barat dipajakkan enam ribu rial". This language is consistent, as is the distinction made between income deriving from profits on the trade monopoly where the word used is "kelabaan". In this system, "hasil" can then be construed as "tribute" as distinguished from "cukai" which can be glossed as "tax", as in "cukai beras" (rice tax), as compared to "hasil ripai" (poll tax payable in rice) or "hasil bunga emas" (the bunga emas tax). Another term, as already noted (note 1), is "mahsul" which can be glossed as "export/import duties".

21. There is independent confirmation of this in Gov., P. Wales Isl., to Raja of Kedah, 21.x.1818, and the Raja's reply of 29.ix.1818, in C.D. Cowan, ed. (1950), Early Penang and the Rise of Singapore, JMBRAS, 23(2): 82–5. The revenues of Kuala Muda had been farmed to a Chinese merchant from Penang, called Che Toak. Che Toak apparently had a monopoly on the trade along the Muda river and allegedly imposed a duty of 20% on all merchandise. The Governor hoped that "my friend..has only farmed to this Chinaman the retail of all commodities consumed in his own territories and has not conferred on him the right of imposing arbitrary duty to any amount on all goods proceeding beyond his kingdom and passing up and down the Mooda river" and requested that the Sultan "fix the rate of duties to be levied".

The Sultan, in reply, wrote that the imposition of duties on tin is not new "but has been so from formerly" and declined to reduce the duty to $5 a bahara. He also noted that the farm had been let for some time and had not generated any protests previously. It was let on 5 yearly terms.

The allegation of a 20% duty was probably correct if what had happened was simply a translation of the Sultan's previous rate of profit on the sale of tin. According to the Peringatan, the Sultan bought tin from within Kedah, Ulu Perak and Ulu Patani at $24 a bahara, and from Salang and Punga at $40 a bahara. He then sold it to the Europeans, Suratis and Chinese at $50 a bahara, which would amount to a profit of 20% on the higher price. [The rate in Perak was reportedly 20% too.]

If later practice is any guide, the level of duty was not fixed by the farmer but by the Sultan. Thus, in a grant letter dated 24.xi.1316 (approx. 1898), giving the Kulim tin farm to a Loh Lan Chong, it was specifically stated that the farmer would collect $9 a bahara, "tiada boleh dilebihkan".

For a brief discussion of revenue farms in early 19th century Kedah, see Sharom.

22. These, and subsequent, figures should be seen in a relative light. They serve to illustrate the point. In all likelihood, the figures from Penang sources, when and if available, were more accurate. The figures for Sultan Ahmad Tajuddin's income however do correspond with the estimates given by Low, approx. $40,000.

23. It should be noted that prior to the 19th century, the British were, like everyone else, mercantilists concerned with obtaining monopolies, while objecting to monopolies held by others. This rise of a free trade ideology and practices could sometimes have decentralizing and destabilizing consequences for the states they dealt with, particularly when these states had a centrifugal dimension to them. For instance, the government in Penang approved of the developments in Aceh in 1825 when the chiefs could distance themselves from the centre, as "the success of the Chiefs opened all the Ports on the Coast, that of the King might have confined it to one only Acheen.....; to the free and open intercourse allowed at the different Ports along the Coast is to be ascribed the encouragement to encrease of produce, and of course of trade. The more Ports are open the greater competition amongst the sellers, and it certainly is the obvious policy of this Government to encourage that freedom; and any....tendency to overawe and subjugate the numerous petty States with whom our trade is conducted...would be an event much to be deplored." Fort Cornwallis Council Minute, 7.iv.1825, in Cowan, ed. (1950), p. 159.

24. In its context, and in the original Malay, the lament has a poignancy that I cannot hope to reproduce here.

25. From a longer historical perspective, they had experienced something similar several centuries earlier, first with the fall of Srivijaya, and subsequently the rise of Melaka. Then, they had gone in search of a new capital with an agricultural hinterland, moving from the Merbok and Kuala Muda area to the north, and there, by means of corvee, they had had constructed several drainage canals. It was only in the 18th century that Sultan Mohammed Jewa moved to Alor Setar.

This is based upon Mohammed Hassan (1928).

26. Sharom suggests that the system was developed to offset the decline in revenues.

27. "Weak" and "strong" are, of course, relative terms. It is sufficient to take "weak" to denote centres not quite capable of asserting themselves against challenges to its dominance, and "strong" to denote the ability of the centre to impose its will upon those forces and to obtain compliance.

28. Raffles made the observation that Tunku Bisnu's revenue base, the timber contracts with the Penang government, helped him very considerably in his conflict with Sultan Ahmad Tajuddin II (cited in Bonney (1971: 117n).

29. It is really quite pointless, as is often done, to point to how much more the state obtained when it took over the revenue farms. The question is: Could the state have obtained those revenues, at the relevant point in time, without the revenue farms? In addition, it is not sufficient, as will be discussed below, to simply look at the direct income from the revenue farms. Revenue farmers doubled up as investors and as relatively low-cost financiers.

30. The degeneration into outright civil war in Perak and Selangor might be considered as illustrative. Johor might be seen as an exceptional case, even compared to Kedah, as the kangchu system operated within what might be considered a political vacuum. See, C. Trocki (1979), Prince of Pirates.

31. As would the opposite situation -- that of a rapid growth in economic wealth. In contemporary times, such a situation could give rise to what is now referred to as the "Dutch disease". For an instance of this in the past, see P. Vilar (1974), The Age of Don Quixote, in, P. Earle, ed. (1974), Essays in European Economic History, 1500-1800.

It might be suggested here that one could possibly analyse Kedah's financial crisis at the end of the century from this perspective.

32. Although it can also be viewed as yet another succession crisis. Going by previous succession crises, one party would have gained internal ascendancy, the others would have gone for external allies (Bugis) and mounted an attack from without. This particular crisis was one in which no party gained internal ascendancy because, according to the Peringatan, the menteri pegawai could not agree amongst themselves and would not agree either to Dhiauddin's suggestion to choose a successor from amongst Abdullah's sons. The Peringatan casts the menteri-pegawai in the role of villains, preferring a weak, doddery old man. In the event, the solution was imposed from without by Siam/Singgora.

33. Siamese backing was to prove important all the way till the end of the century for whoever it was who held the centre. Changed circumstances in Siam in the latter half of the 19th century benefitted Kedah or, more accurately, the party that held the centre. The 1821 invasion was partly a result of intrigues between Singgora and Ligor, overlaid upon intrigues within Kedah itself. While intrigues within Kedah were to continue till the end of the century, Bangkok increasing imposed its will upon the provinces.

34. The fact that Kuala Muda was farmed for $2,400 per annum might indicate the relatively poverty of Tunku Ibrahim who had control of that district. In comparison, Sultan Ahmad Tajuddin's revenue amounted to some $40,000, not counting the payments for the lease of Penang. This goes against Bonney (1971) who saw the award of Kuala Muda to Tunku

Ibrahim by the Siamese authorities as a partial snub to Ahmad Tajuddin.

Incidentally, the Peringatan gives a different version. The grant was by Ahmad Tajuddin himself. Tunku Ibrahim was originally given Perlis, but he wanted Setul and Langu as well. This Ahmad Tajuddin could not accede to as the latter was under Bisnu. Tunku Ibrahim then proposed exchanging Kuala Muda for Perlis, which was accepted.

35. This surely requires more detailed treatment and accompanying qualification as there were clearly collaborators within the Kedah ruling class. Some of them would have been eliminated in the counter-attacks, others would have been discredited, given the alleged suffering that the Ligorians caused. But the role of Tunku Anum is ambiguous and he survived the occupation as an ostensible collaborator, only to emerge from it as the chief of one district, Kubang Pasu. It was however a relatively undeveloped district then, and Bangkok gave its backing to the centre. The other ostensible collaborator was given Perlis, and that was hived off as a separate state on the restoration of Ahmad Tajuddin, never again to become part of Kedah. Setul, too, was detached from Kedah. Perhaps this dismemberment also helped centralization of a more compact mass.

The general disruption and depopulation of Kedah has been discussed elsewhere; see, e.g. Sharom Ahmat (1969).

36. See Kobkua Pian (1986), The 1839-41 Settlement of Kedah: The Siamese Compromise, JMBRAS 59(1).

37. On the role of Siam, see Kobkua Pian (1986).

Perhaps more importantly, Siam over the course of the next half century, was more concerned about maintaining its sovereignty, seeing Kedah as a useful buffer and hence concerned to maintain Kedah's stability, seen as synonymous with a strong centre able to ward off challenges.

38. Indeed, this inability to live within their salaries was to continue right into the British period, affecting even the Sheikh-ul Islam who died leaving a debt of some $12,000 to a chettiar!

In the late 19th century, men such as Wan Mohammed Saman and Tunku Mohammed Saad, the district chief of Kulim, were continually in debt and had to be underwritten by the Sultan. See, e.g., the guarantee note from Sultan Abdul Hamid to Lim Tin Hui in Penang, 24.iii.1310 (c. 1893), underwriting Wan Mohammed Saman's loan of $10,000. This is a necessary corrective to the picture of Sultan Abdul Hamid as an extravagant spend-thrift who bankrupted the state. All of them, not least Abdul Hamid himself, were extravagant. Imagine, e.g., the Raja Muda, Tunku Abdul Aziz, spending $1,093 in 9 days in Penang in 1898.

See, Sultan's Account Books.

39. This was created at the behest of Bangkok, which sent down inspectors periodically.

40. See Sharom Ahmat (1969), Tradition and Change in a Malay State, Ch. 1.2 and esp. Ch. 4, for a different understanding of the acknowledged strength of the centre, particularly in the post-Siamese occupation period. Sharom holds that the invasion resulted in self-conscious restraint on the part of the ruling circles and that the appointment of members of the royal family to various senior posts accounted for the relative stability and peace of Kedah. Similarly, Sharom has a different appreciation of the revenue farms and of Sultan Abdul Hamid, particularly after the 1890s, attributing to him the major blame for the financial crisis of Kedah which came to a head in 1904-05.

41. Thus Wan Mohammed Saman, the Chief Minister and the man behind the canal that opened up the central plain, used to borrow money from funds deposited in the Court of which he was judge. Yet such borrowings were clearly indicated as such and signed for with all the intention to repay them. Indeed, some were repaid. See the Court account books for the years 1308-1310 (c. 1891-1893) in K/SUK 2766/1331, q.v. K/SUK 2758/1331.

42. For instance, there was a prohibition on the movement of Indian labour into Kedah which Sultan Abdul Hamid tried to remove. Thus, e.g., Sultan Abdul Hamid wrote to Skinner, the Resident Councillor of Penang on 7.ii.1308 (c. 1891/2) on this matter: "Now, there are serious problems faced by persons wishing to open up estates in Kedah because they are prevented from bringing in Indian coolies [kuli-kuli Hindu] by your government. I hope to request that with your cooperation Indians coolies may be allowed into Kedah. If you desire, say, a clinic [tempat sakit] to cater to the needs of the coolies, I am prepared to accede to those wishes...."

Lim Leng Cheak, a major revenue farmer, tin miner and plantation owner in Kedah, and a major merchant in Penang, indicated in his testimony before the Commission on labour in the SS and Protected Native States that it was illegal to employ Tamil labour in Kedah. See Proc. Leg. Council, Paper 37, 1891.

This prohibition was not altogether effective, according to W. G. Maxwell as Kedah "encouraged this illicit immigration" so much so that "there are in Kedah a very large number of Tamil Coolies who have been smuggled into the country" but the effect still was to raise the wage level in Kedah relative to the others (HCO 1274/1909).

43. Of course there is no suggestion that this was deliberate. It was a result of the resources that Penang merchants could command and of the fact that Chinese merchants in Kedah were often linked closely with

those in Penang.

44. The period for which there are documents -- the end of the 19th century -- show that monthly payments were the norm. Rarely was there a lump-sum pre-payment. As for the deposit, if it were a considerable sum, the farmer deducted a pro-rated amount, depending upon the duration of the farm, from the monthly payment, until the total amount was settled. Otherwise, the deposit would be returned when the farm ran out. This latter arrangement often caused problems for the government, which would then have to borrow.

45. At least in principle. Close ties between the Sultan and his revenue farmers often meant that the grace period could be extended. The salt, fish, fowl and duck farm at Pulau Langkawi and Pulau Terutau, issued in 1319 (c.1900), specified that if the farmer were to be 5 days late in his monthly payments he would lose the farm and the deposit and would have to make good the losses, if any, realized upon re-auction.

46. The power to do so, however, was again granted by the Sultan. Thus, there are several examples of this in the form of "surat siasat" specifying that the farmer could appoint persons to detect offenders who could then be arrested together with the state-appointed officer in charge of that area; and if the offender denied the charges [melawan], he should be sent up to Alor Setar/Kota Setar for investigations [halusi periksa]. As I read these "surat siasat", they were not "instructions to the territorial chiefs and penghulu to investigate and take action on all type of complaints of revenue farmers" (Sharom, 1984:30).

The penalty for offences was rather heavy. For instance, in the case of the salt/fish/fowl/duck farm mention in the previous note, the penalty was a fine of a month's rent and confiscation of the produce. Wherever a penalty was specified, it was a month's rent and confiscation, but more often it would simply state "to be sentenced according to custom [adat]". As has already been mentioned, the fine was divided into 3, 2 going to the Sultan and 1 to the farmer, while the confiscated goods were divided 2 parts to the Sultan and 1 to the person effecting the arrest -- good incentives to ensure that policing was as effective as possible given the circumstances.

Nevertheless, it was never totally so, and sometimes could not be so. There was great concern over this. Thus, on 26.ii.1308 (c. 1881), Sultan Abdul Hamid wrote to the Siamese Consul in Penang, complaining that some Penang English Government people [orang Gobermen Inggeris Pulau Pinang] had anchored [berlabuh] near Kuala Kedah and Kuala Jerlun and Sanglang with salt in their boat[s?], and were buying fish at sea, curing them and bringing them back to Penang. This had greatly affected those engaged in the fish business because fishermen preferred to sell to the people anchored off-shore as they offered a higher price, resulting from the fact that they did not have to pay tax on salt and fish, or would pay the salt tax at Sanglang where it is lower because of its proximity to Perlis. The Sultan wished to take action to prevent them from paying the tax at Sanglang and to purchase fish off-shore. If they continued to do so, he proposed detaining their boat and to punish the owner because they were causing losses to Kedah. Furthermore, he had heard that many more persons were planning to do the same and if he were to ignore this one instance, then the same would happen to other taxable goods, whether farmed out or not. The Sultan requested that the Consul consult with Mr Denzil(?) Logan as to what steps could be taken and the distance to sea within which such persons could be arrested as such an incident had never occurred previously.

47. This was sometimes a requirement, ostensibly to provide opportunities to local Chinese. Thus, when Sultan Abdul Hamid granted the padi and rice farm for Kuala Muda to Lim Leng Cheak, he requested Leng Cheak to appoint a local representative whose name would go on the grant [surat istimi pajak], offering two reasons for this: (1) tradition, i.e., that the Kuala Muda padi and rice farm had never been given to non-Kedah residents; that it had always been awarded to local Chinese with permanent households in Kedah [orang-orang China yang ada berumah-tangga tentu duduk di negeri Kedah ini]; (2) that the local Chinese had no other business they could engage in except the farms. See, Sultan Abdul Hamid to A.D. Neubronner, Siamese Consul in Penang, 9.x.1309 (c. 1889).

In this letter, Abdul Hamid indicates he originally intended putting down Leng Cheak's name on the grant as he had known Leng Cheak for a considerable time and was sure that if Leng Cheak's name was on the grant he would be encouraged to put out more funds to assist people to work the bendang [tentulah ia berani bawa keluar belanja banyak lagi tolong orang-orang buat bendang di dalam Kedah ini]. This notion of linking revenue farms to production, particularly with respect to rice cultivation, will be discussed subsequently.

48. A dramatic instance of this was the threat by Lim Leng Cheak to report to the Resident Councillor in Penang Sultan Abdul Hamid's refusal to accede to his demands to further lower the rent on the Kota Setar padi and rice farm. See, Sultan Abdul Hamid to A.D. Neubronner, Siamese Consul, 5.xi.1311 (c.1894).

This incident was dramatic because Leng Cheak was extremely close to the Sultan and had command over some of the largest farms in Kedah, in particular, all the opium farms in Kedah, not to mention a rice-milling monopoly for twenty years. He also functioned as a general dogsbody for the Sultan, purchasing furniture, seeking out an engineer for the Sultan's boat, etc. More importantly, Leng Cheak could perhaps be the only example of a revenue farmer who actually obtained a loan, albeit indirectly, from the Sultan. This may have been at the urging of the Siamese Consul as well as of Skinner, the Resident Councillor. See, Sultan Abdul Hamid to Skinner, RC Penang, 30.xii.1308 (c.1891); ditto to Neubronner, Siamese Consul Penang, 22.x.1308.

Apparently, Leng Cheak had come into some financial problems because the banks were demanding payment. But his business was allegedly thriving (at least by the books he showed Abdul Hamid). The funds ($100,000) were borrowed from the King of Siam and divided up equally between Abdul Hamid and Leng Cheak, with Leng Cheak paying the interest.

49. For instance, in 1902, a notice was issued regarding the unification of the tobacco, gambier and salt farm at Singkir, Yan, Sungei Daun, Sungei Limau dan Dulang were to be unified with the tax farm at Kota Setar, as were the liquor, gambling, pawnbroking, fowl and cattle hides farm. See, Notice of 17.v.1318.

50. By the late 19th century, when a land tax [hasil tanah] was introduced, it was not farmed out. A salariat took charge of it, ineffective as it was given the opportunities for evasion. This could well have been because the state wanted the flexibility to deal with each individual case, particularly with regards to plantations and mines. A farm would not have had the same degree of flexibility of granting exemptions, reducing rents, etc. But it could also have been because land, being a fixed (in more senses than one) asset, could be dealt with in a way different from the sorts of commodities that came under the farms.

As an instance of individual treatment, Lim Leng Cheak appealed for a rent exemption on his tapioca and coffee estates in Kulim. The Sultan agreed on a rough calculation that half the land was under coffee and half under tapioca and insisted on getting the rent for the tapioca half, while exempting the coffee half until after it had come of bearing age. See Sultan Abdul Hamid to Lim Leng Cheak, 29.v.1310 (c.1892).

Incidentally, it might be pointed out that Maxwell's claim (accepted by Sharom) that the tax was never collected because virtually everyone except foreigners was exempted can be questioned given evidence that it was collected as well as evidence of a possible error in Maxwell's reading of the exemption proclamation. See n.47 in Khoo Khay Jin (1987), Kedah: From Imperialism to Colonialism.

As for the state not having a handle on the profits earned by revenue farmers, the dispute with Leng Cheak over his padi and rice farm (see Sharom) shows clearly that the Sultan had a fairly good sense of what Leng Cheak made.

51. The deposits were, of course, cost-free financing, although they often had to repaid with high-cost loans. But in addition to this, there would sometimes be specified in the grant a condition to the effect that the farmer would lend the Sultan up to a certain amount at a pre-determined interest rate. This may be a late development, or it may simply be that the formalization of this arrangement was a late development.

As an instance of this, the padi farm for Kota Setar all the way down to Singkir in the south was granted to a Loh Lan Chong in 1319 (c.1902), to take effect in 1324, i.e. 1907, on condition that Lan Chong would lend up to $50,000 (the annual value of the farm) at an interest rate of 0.75% [tiap-tiap seratus rial 75 duit tiada boleh dilebihkan]! Failure to do so on demand would result in forfeiture of the farm. The interest rate specified was presumably a monthly rate, which thus worked out at 9% per annum. At a time when annual interest rates were in the region of 12-18%, and when chettiar rates were 18-24%, the Sultan could be said to have struck a good deal, particularly since his other source of credit would normally have been chettiars.

Such a condition was similarly attached to the the gambling farm and the liquor farm for Kulim and Karangan, both awarded to Lim Kam Tong in 1901.

The account books also show short-term loans (up to $10,000) from the padi/rice farmer Phuah Hin Leong, apparently repaid without interest.

52. It may, of course, have been stimulated by imitation, of Siam and of Penang. Siamese influence can never be ruled out in the case of Kedah. As already mentions, in the late 19th century, the 3% duty on all items of import and export not covered by revenue farms was introduced as a result of a directive from Bangkok. Sultan Abdul Hamid to.....

Penang's influence was ubiquitous. Revenue farming was very much already in place in Penang in the early 19th century (Wong Lin Ken (1964), The Revenue Farms of Prince of Wales Island, JSSS, 19(1)). Subsequently, Kedah's farms, particularly the opium farm, was to come into much conflict with Penang's. On the administrative level, the organization of Kedah appears to have been modelled to some degree on that of Penang, and sometimes at the behest of Penang, as in the case of a rudimentary veterinary and health service. The formation of the Sikh police force was at least due, in part, to Swettenham's influence; indeed, Sultan Abdul Hamid actually wrote to him asking for recommendations for a European to head the force, as well as for Sikh sepoys.

53. Tunku Yaacob was apparently appointed to oversee Kubang Pasu when it was returned to Alor Setar's administration. See Muhammad Hassan (1928).

54. This comes from another manuscript entitled "Peraturan Raja-Raja Negeri Kedah" composed, in all probability, at the end of the 19th century. It should be noted that this is a pro-Tunku Kudin work, attempting to show the legitimacy of succession down to Abdul Hamid, and the illegitimacy of Abdul Hamid's own succession. It casts Tunku Kudin in the role of the aggrieved party and Abdul Hamid as a usurper who had come to power solely by command of Bangkok and not by election by the notables [orang besar-besar].

55. This has been cast as a golden age. See, e.g., Gullick (1985) who bases himself considerably on Muhammad Hassan's history where the same impression is conveyed.

56. This was Bangkok's means of settling the succession dispute. Tunku Yaacob and Tunku Kudin were opponents. See, Gullick (1987) for an account of this dispute and the following one. Zainal Rashid was Kudin's nephew and son-in-law.

57. Peraturan Raja-Raja Negeri Kedah.

58. At least this is the claim of the Peraturan.... There are other versions of this succession. See Gullick (1987); also Muhammad Hassan (1928) and Mohammed Isa Othman (1986).

59. Kudin, incidentally, did pay up, as indicated by entries in the Sultan's account books.

60. The Sultan's accounts for the 1880s clearly indicate this. Thus, in the month of Rabiulakhir 1301, Tunku Kudin was paid a monthly income of $1708.33. But this payment was often delayed. This payment may have been arranged by Bangkok.

61. Tunku Yusuf was given a monthly allowance of $841.

62. Again, this is the version of events given by the Peraturan....

63. Sultan Abdul Hamid to the Chau Kun Kalahom, 18.xi.1304. The reason for not cutting Tunku Yaacob's allowance was that he was a great help in everything and concerned himself deeply with state affairs.

64. This is a construction from outgoing letters of Sultan Abdul Hamid to the authorities in Bangkok. I have not seen the incoming letters. See also, Mohammed Isa Othman (1986), Kedudukan dan Perkembangan Golongan Politik Elit Tradisional di Negeri Kedah Sebelum dan Semasa Pemerintahan Sultan Abdul Hamid Halim Shah, 1881-1943, MA Thesis, USM.

65. Hart, the adviser appointed by Bangkok in 1905, noted in his annual report that for 1907 that there was little handicraft in Kedah, the people having purchased their needs for a 100 years now.

66. See Sharom Ahmat

67. Including cases of padi kunca between Malays. Padi kunca has been seen as the quintessential expression of the exploitation of Malay padi farmers by Chinese middlemen and shopkeepers.

68. A copy of such a false title dated 13.iii.1285 (c.1867) for 6 relung of bendang-kampung land, costing $30, can be found in K/SUK 2513/1332. The title records a transaction in 1298 (c.1881), a sale for $60, another in 1303/1885, a transfer in settlement of a debt, and a third in 1307/1889, yet another sale for $100. Note the escalation in land prices.

69. The ferry farm in Kerian across to Parit Buntar, in Perak, was let for just under $42 per month in 1901. The farmer, in this case, the head of Kerian district, Che Mohammed Ariffin, was allowed to charge 1 cent per passenger. At that charge, the monthly volume would be at least 4,200 persons. In all likelihood, it was considerably more than that.

70. In the 1930s, when the tax on imported tobacco was raised, the people again took to tobacco cultivation, resulting in a halving of the tobacco revenue.

71. "Dan lagi kami nyatakan jika ada orang-orang hendak masuk membuat pekerjaan kelian timah yang besar-besar di dalam perintah pajak mika ini maulah diikut perjanjian antara orang-orang itu dengan kami, tiada termasuk di dalam pemajak mika ini."

72. Sultan Abdul Hamid to Lim Leng Cheak, 29.v.1310 (c.1892).

73. There were other similar instructions which look more like outright grants, e.g., a Yu, who obtained the farm for cattle hides, charging $2 per pikul of exports, was instructed to pay the monthly payments, amounting to $60, to Syed Mohammed Aljafri. Similarly, a Cheng Chua [or Cheng Joo Ah], was told to pay both the deposit and the monthly payments for the ferry farm in Kerian to Hj Ahmad, the district officer. The deposit amounted to $108 and the monthly payments to $45 (after deduction of the pro-rated deposit). See Raja Muda to Yu, 23.vii.1315 and Raja Muda to Cheng Chua, 18.vi.1316.

While the amounts involved may seem a lot, it should be noted that salaries for middle-level officials of the state were of that order.

74. See Sultan Abdul Hamid to Lim Leng Cheak, 3.iv.1309.

75. About half a year previously, this drought had caused ill-will between the Sultan and Leng Cheak, resulting in the padi and rice farm being transferred from Leng Cheak to Phuah Hin Leong. But Leng Cheak still held his rice-milling monopoly in Alor Setar.

76. The wording is: "jika tiada beli pada ketika ini tentulah jadi kesusahan pada rakyat-rakyat jadi beta dan sahabat beta pun dapat kerugian banyak sebab tiada boleh kerja padi itu."

77. Going by previous practice, Leng Cheak would likely have advanced the monies for the pumps, recovering them from the payments for the farms he held. See, Sultan Abdul Hamid to Lim Leng Cheak, 11.iii.1312/11.ix.1894.

78. Sultan Abdul Hamid himself was to suggest that the reason for outmigration to Bruas was hunger and food shortage in Kedah.

79. Sultan Abdul Hamid to Skinner, 23.iv.1310 (Nov. 1892). Skinner had obviously written to enquire on the matter. Abdul Hamid replied that the disease had ended "because many had died until the buffaloes in the care of the people here are almost all dead. People in Kedah who wish to do work have to make purchases outside the country." [Sekarang ini penyakit kerbau lembu di dalam Kedah ini sudah berhenti dengan sebab banyak yang mati itu, dekat habis kerbau-kerbau yang mana orang simpan di dalam Kedah ini. Maka orang-orang di dalam Kedah ini pun yang hendak perbuat kerja itu ia pergi cari beli di luar negeri.]

The devastating effect of such an epidemic can be gauged from the 1920 epidemic when an estimated 10,000 head of cattle and buffaloes perished, causing an estimated loss of $1 million to the people. The government then extended loans to the people for the purposes of purchasing cattle and buffalo.

80. See Sultan Abdul Hamid to Phuah Hin Leong, 26.xii.1311 and 5.i.1312. Phuah Hin Leong's reply is dated 29.v.1894, but no copy of it exists. The Sultan made the request because "many Malays are in great difficulties and are always coming with requests for assistance in the form of cash or padi to tide them over the planting season". The various alternatives for securing the loans were primarily the usual ones of registering the debt and holding the land title. One alternative, however, stands out. The Sultan suggested that loans be given on a joint guarantor basis, i.e., a person would have to gather together a few persons who would then sign a document pledging mutual liability. In that way, the Sultan claimed, the "bad hats" [siapa-siapa yang jahat] would be weeded out as they surely would not be able to get others to mutually guarantee their liabilities.

Sharom Ahmat (1970) was in error when he portrayed the initiative as having come from Phuah, seeing in the suggestion an attempt of the farmer to further tie the peasantry down. But surely he was right to state that the revenue farmers "obviously wanted to encourage production" (p. 3). His suggestion that "one way in which the Chinese revenue farmers ensured that a large and regular supply of padi was available for the export market was to get the Malay peasants into debt" is overly Machiavellian. It was unlikely that the revenue farmer would want such an encumbrance, preferring to leave it to smaller merchants down the line who were the first-level buyers of padi, who would then bear the costs of dealing with many, many small loans. A similar situation obtained in the 1920s between rice millers and buyers of padi.

81. Butcher's (1983) analysis probably accounts for the British colonial government's actions here as well. Indeed, in the 1920s, the forced sale of a large number of Chinese-owned estates to Europeans was greeted with glee by the British Adviser. Prior to that there were consistent laments at Chinese business activities in Kedah. They had conveniently forgotten all the obstacles put in the way of Kedah in the pre-British period.

82. Sharom (1984:24).

83. I can't make out whether it is for his "kilang tebu" or "kilang batu".

84. See record of a meeting on 9.x.1318, called on instructions of the Sultan.

85. This financial crisis has not been sufficiently studied. Most scholars have accepted that it should be attributed to Sultan Abdul Hamid's profligacy and his illness (e.g Sharom Ahmat (1969)). But there is more than enough evidence to indicate that it should be looked at within the context of a trade recession, the silver-gold issue, a liquidity problem, and the nature of Kedah's political system. It has been observed of, for instance, European absolutism, that it was prone to financial crises (e.g. Braudel, 1982:523). This is not to suggest that Kedah can be simply compared with early modern European absolutisms. Nor do I mean to suggest that the personality of Abdul Hamid had nothing to do with it. But there remains a nagging question: Sharom mentions that the debt was estimated at $600,000 in 1903. Within a year or two, it had shot up to close to $3 million. Systemic forces surely played a role.

As for the burden of administration, the salary burden per head of population in 1905 was approximately the same as that in 1930. But the economic base was not as large or as secure.

REVISED

Revenue Farms in Southeast Asia and the Articulation of the Modes of Production[1]

Hong Lysa

Revenue farming is a device or mechanism (Shaharil uses the words "instruments" and "apparatus"[2] for revenue collection, as with such, would reflect the level of technology of the day; similarly, its passing would imply that it has been superseded by a technically more sophisticated apparatus that performed basically the same function -- revenue collection for the state -- more efficiently. Hence writings on the revenue farming system in periods when it was extensively used would stress the limits of the social formation in manpower control and administrative setup, transportation and communications, record-keeping and accounting etc., which made it impracticable to run a centralized revenue collection system. The state thus abdicated part of its entitlement of revenue due to it through technological default -- "in short, the state surrendered rights in exchange for money and freedom from work for which it had no skill."[3]

By the same token then, the demise of the farms would naturally be seen as the attainment of the means to do away with them -- the presence of roads, railways and telegraphs; and a functionallly organised, well-staffed and competent bureaucracy with proper accounting procedures. The farms, thus no longer necessary, would be replaced by direct

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[1] Paper for Conference on Revenue Farming and Southeast Asian Transitions, Australian National University, 30 June-2 July 1988.

[2] Shaharil Talib, After Its Own Image: The Trengganu Experience, 1881-1941 (Singapore, 1984), pp.5,36.

[3] Heather Sutherland, "Between Conflict and Accomodation: History, Colonialism, Politics and Southeast Asia", RIMA, 12,1 (1978), p.8.

revenue collection by the state, which would mean that the cost of collection would be lowered (the amount gained by the revenue farmers being greater than than the sum paid out as salaries for bureaucrats) and hence the increase in state revenue.

Examining the revenue farms simply from such a functional view, however, does not reveal the whole story. For the farming system was not only related to revenue collection, but more fundamentally, to the dynamics of the social formation of which it was a part, and its history both reflected the political and social concerns of that formation as well, and contributed (and became inimical to) its reproduction.

To be more precise, revenue farming was in operation in Southeast Asia before the arrival of the Europeans, and lasted to the early decades of the twentieth century; the ramifications of its operation through the centuries could not have remained unchanged.

> One of the monopolies still enjoyed in 1914 by the *Yam Tuan Muda*, the Crown Prince (of Trengganu) was the right to run a ferry at Kuala Ibar, south of the capital. This monopoly yielded about one thousand Straits dollars per year...,but the prince had only to pay S$400 to the Sultan, thereby making some $600. From this profit he paid a retainer $60 per year to work the ferry, and the man charged passengers two cents a crossing. In effect then, the state gave the prince S$540 and the ferryman S$60 while providing a transport service.But this was done not by central management of the ferry and the payment of salaries,but by the government's surrender of economic rights to the princes who used the opportunity both to make a profit and reward a client.[4]

Here, Sutherland intended to emphasise the "Malay" nature of the Trengganu state -- its "reality", its history, political structure and sense of identity, as opposed to British

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[4] Sutherland,p.7.

notions of government. However, the ferry monopoly in 1914 would not have the same significance to the Yam Tuan Muda of two centuries earlier. The very ability of the author to compute the precise monetary gain from the monopoly, which was not a trifling sum, and the mention of the state providing a transport service, indicate that one was not discussing a strictly pre-capitalist Southeast Asian social formation. Belieing the timelessness of the age-old farm was the twentieth-century Trengganu setting, where Sutherland observed, "on a larger scale the whole state drew much of its income from the Chinese-held farms" -- a state penetrated by merchant, if not production capital. This context would give quite a different meaning to the ferry monopoly.

In examining the historical role of tax farms in Southeast Asian formations, I have found it useful to be cognizant of (but not necessarily governed by) John Taylor's historical materialist theory of Third World formations--his theorization of the nature of changes brought about in the pre-capitalist societies of the Third World by the impact of the various phases of the capitalist mode of production in Europe. Following from his critique of both the sociology of development, and the dependency theories, Taylor postulated the concept of the articulation of the modes of production as the key to understanding Third World societies. These transitional social formations are structured by the articulation of the existent non-capitalist and exogenously derived capitalist modes.[5] Capitalism in Europe, the bearer of the mode to Southeast Asia, underwnet three phases: the dominance of merchant capital during the sixteenth to nineteenth centuries, of production capital or commodity export, circa 1750-1850, and

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[5] John G. Taylor, From Modernization to Modes of Production: A Critique of the Sociologies of Development and Underdevelopment (London,1979),ix-xii.

from the latter part of the nineteenth century, of finance capital. Each of these forms of capitalist penetration had different effects on the non-capitalist modes of production.[6] It is this last postulation that provides the connection between the articulation theory and the study of the revenue farms. The functioning, significance and ultimately demise of the farms have to be examined in the context of the economic transitions that Southeast Asia underwent with the penetration of different phases of the capitalist mode.

In pre-capitalist Southeast Asia, the direct producers were in possession of their own means of subsistence and of production; surplus labour was extracted through ideological claims rather than by economic pressure. Whether as representatives of Allah, or as the devaraja; through the concept of daulat, or the barami of the Theravada Buddhist kings, Southeast Asian rulers extracted surplus labour from their subjects to maintain a state which, while theoretically awesome and elevated, was effectively mediated and personalised by individual officers who were both familiar and accessible to the commoners. The sovereign thus allocated social, and with these, economic privileges to retain the political loyalties of the state officials who in turn helped perpetuate the ideological dominance of the demi-divine kingship. Just as the king decentralised revenue collection in order to secure political and social cohesion, so too the officials granted the fruits of the revenue farms cared not so much about the maximization of takings but more about the power that this conferred on them to reward (or punish by withdrawal of the privilege) clients.

Southeast Asia's early contacts with mercantile capitalism in the form of the Spanish colonization of Manila

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[6] J. Taylor, pp. 137-8.

in the sixteenth century, and the Dutch of Java in the seventeenth did not result in a restructuring of the subsistence formations. The galleon trade, the life-line of Spanish Manila, was entrepot, and the indigenous economy and population were irrelevant to it. As for the Dutch, they simply placed themselves on the top of the indigenous political edifice with their military superiority, and utilised and perpetuated existing relations of production to extract the crops that they wanted. In Southeast Asia the articulation of the non-capitalist mode with merchant capital in the early stages left the former very much intact, if not actually reinforced by the might of the Europeans as in the case of Java.

The economic life of Southeast Asia was not confined to subsistence production. The political elite were also involved in the intra-regional trade in which European merchants also participated, and that with China.These mercantile activities were very much court prerogatives. To the direct producers of the items of trade -- local crops or precious minerals -- they were simply handing over their portion of taxes; it made little difference to them whether the king had the goods exported, or hoarded them. However, when this trade became more than of supplementary value for the embellishment of the court, but actually expanded to form a key source of revenue, more options became available for the peasant producers as the demand for export items rose. And in response to this development, the Siamese state expanded the use of the farming system in order to realise its claims on the revenue generated by the heightened economic activities.[7] In a similar vein, the Trengganu extended and elaborated their traditional rights of instituting pajak (revenue farms) with the purpose of

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[7] Hong Lysa, Thailand in the Nineteenth Century: Evolution of the Economy and Society (Singapore,1984), chapter 3,4.

extracting profits from the rapidly expanding commodity trade with Singapore in the late nineteenth century.[8]

However, even though the expansion of trade in the nineteenth century stimulated production of a diverse range of goods hitherto cultivated for consumption and limited exchange, this was carried out within the existing socio-political framework. Even the Westerners, among whom the British merchants servicing the needs of an industrial England were increasingly active, traded within the framework of the restrictive indigenous practices, though they increasingly chafed at this.

The expansion in the use of the revenue farming system can thus be coupled with the growth of commerce within the indigenous framework of peasant production and state-directed trade. The tax farmers creamed off profits for themselves and the ruling elite at each level -- tax on cultivation, internal transport, sale to the middleman, and export -- the benefits of trade was thus obvious for the traditional state. But this trade and revenue collection system was inimical to free trade as expounded by the British -- the multiple taxes on items of trade, and the restrictive nature of the trade naturally increased the prices that the foreigners had to pay for them. Britain, the leading industrial power, saw the need to liberalise the Southeast Asian trade system, to restructure its contents from being a whole range of indigenous produce to specific ones required by the industrial West, and to create a market for manufactured goods. As Western trade to meet the requirements of capitalist production assumed dominance over the earlier merchant stage, the revenue farms, which drew its dynamics from the latter would not be tolerated for much longer.

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[8] Shaharil, pp.50-51.

In Siam, the multi-tiered taxes on commodity production for the overseas trade was rendered inoperative with the stipulation in the Bowring Treaty that "articles of exports from the time of production to the date of shipment, shall pay one impost only, whether this be levied under the name of inland tax, transit duty, or duty on exportation".[9]

State revenue derived from commodity taxes were thus adversely affected by the free trade pressures, but in the stage of articulation with production capital, revenue farms remained the mainstay of supplying the state with revenue-- from taxes derived from imported labour in the plantation and mining sectors, for the construction of canals and railways, and in the rice mills etc. The Chinese origins of both the capitalists and labour meant that the indigenous power relations remained largely unaffected by the initial penetration of production capital. The revenue generated from the Big Three farms -- opium, gambling and spirits-- quickly became the largest components of state revenue in most Southeast Asian formations in the latter part of the nineteenth century. The process of how the farms sponged up the wages of labour in the Chinese-run enterprises and recycled them into surplus for the capitalists and as state revenue has already been well analysed. Here, the emphasis is on how the immensely profitable farms based on what were essentially enclave economic production buffered the existing unity between direct producers and their means of production. The potentially dislocating impact of production capital -- shifting peasant labour from the land to the mines, plantations and mills, and eroding the pre-capitalist structures in the process, was thus weakened.

Thus the revenue farms played an increasingly significant role during the processof the penetration of the

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[9] John Bowring, The Kingdom and People of Siam (Kuala Lumpur, reprinted,1969),vol.2,p.220.

pre-capitalist formation by merchant capital, so it did with production capital; its role of providing revenue became crucial to the state in the articulation with production capital, though the revenue bases in the two instances differed -- commodities in the former, and consumption in the latter. The British officials and mainly merchant capitalists in Malaya were no less amenable than were the Siamese elites to the promotion of Chinese capital in the mines via the mechanism of the vicious cycle of wages-consumption tax collected through revenue farms - capital-wages. The farms did not violate nor threaten the position of the traditional political authority as the fount of economic opportunity. The emerging Chinese capitalists remained formally beholden to the king or sultan for the privilege of execising their entrepenuerial skills.

What then accounted for the demise of the revenue farms? It has been observed that by the turn of the century it was not only the capability but also the will that was inclining the states towards direct tax collection.[10] What brought this situation about? The fact that the winding down of the farms was fairly simultaneous throughout the region would indicate that Southeast Asia at that time was being subjected to a process that was generated exogenously. In Java, it was from the period 1870 to 1910 that the Dutch abandoned "the well-established system of selling opium indirectly region-by-region through powerful Javan-Chinese 'opium farmers,' in favour of the Opium Regie, a centralised 'service' that was managed directly by the colonial government...."[11] The dates concerned would immediately

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[10] Howard Dick, "The Political Economy of Revenue Farming", May 1986 ASAA Conference paper,p.6.

[11] James Rush, "Opium in Java: A Sinister Friend", JAS,XLIV,3 (May 1985),p.549. I have not had access to the dissertation, which undoubtedly would examine the significance of the dates.

ring a bell in the minds of students of colonial Javanese history as being the period of the Liberal Policy with its business-minded principles which encouraged the development of large-scale private plantations by Dutch corporate investors, and the freeing of labour from the Cultivation System which tied them to their own or the communal means of production, to work for wages in the modern agricultural industries.

In the FMS, the government began to abandon the farming system by 1900. Pressure from the British Parliament, and increased administrative efficiency no doubt contributed to this, but as in the case in Java, the "larger picture" was the penetration of finance capital -- during the latter part of the nineteenth century, when finance capital, faced with monopolistic practices of the capitalist formations within Europe, was forced to move outwards to the non-capitalist formations.[12]

Whereas the British had earlier encouraged tin production by Chinese capital, reaping revenue from the farms and the export duty on tin, by the 1900s, the preference was for capital-intensive techniques of farming by Western enterprises, financed by joint-stock companies.At the same time, the industry began to develop more and more within the framework of government regulations, in particular with regards to labour relations. Western miners also began to outnumber government officials and Chinese miners in conferences on mining.[13] In short, the age of finance capital and the rationalization of the industry had

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[12] Taylor, p.206.

[13] Wong Lin Ken, The Malayan Tin industry to 1914,Tucson, 1965,p170.

arrived. Whether it was by design, a scheme of the British investor to cut away the edge that kept the Chinese mines going, or a natural consequence of the passing of the mantle to the capital intensive mines with the gradual depletion of high-grade mineral deposits which the Chinese mines thrived on, the winding down of the farms and assumption of direct state collection of revenue marked the assertion of the interests of the finance capitalists. In this changing context, the colonial state took new measures to facilitate the investment climate. One of the key targets was the elimination of the pre-capitalist, traditional rights on land and revenue. This can be seen in the increased pressure for the Malay royalty that had so far managed to stave off the imposition of formal British "advice", to accept to accept their fate.

In the case of Siam, there was a relative lack of compelling pressure to intervene on the part of either the British or the French; in fact it was the stalemate between the two that checked imperialist forward expansion into the Chaophraya area. The indigenous elite themselves reformed the bureaucracy, doing away with the obstacles to Western investment inherent in the pre-capitalist formation: lack of laws protecting contracts and property, of transportation and communications facilities, and of a stable monetary system. The revenue farms themselves were not an immediate impediment to the colonialists, as prime British concern was in the rice trade and the setting up of agency houses, banks insurance services etc. rather than in pre-existing fields of enterprise such as the mines. The Siamese king thus had some room to manouevre. For instance, he could favour politically subordinate Chinese over the Straits Chinese who could summon the colonial powers to their assistance, in awarding tin mine concessions in the South. Besides, the farming revenues went towards paying for the infrastructure needs of the finance capitalists.

The Siamese elites dismantled the revenue farms over a period of almost two decades; the pace was dictated by the long drawn out process by which the state finally gained the confidence and competence to collect the revenue which was hitherto farmed out. However, this move did not "free" the "local" Chinese capitalists from the umbilical cord which attached them to the state, neither releasing them into more independent capitalist forms of investment,nor heralding their demise. The administrative reforms by the transformed traditional elite had so enhanced their power, that they continued to subordinate their incipient local capitalists to their interests which, where the pecuniary aspects were concerned, were still largely <u>sakdina</u> -- using political privileges to gain financial benefits.

In summary, this paper was mapped out in response to the observation on the notice of this conference that

> the rise and fall of revenue-farming can offer rich insight into the broader economic and social transitions taking place in Southeast Asia from the nineteenth century. Indeed it seems clear that the major changes in the revenue farm system were linked with the more fundamental regional ones -- notably, the formation of "modern" states and the great expansion in commodity production and trade that took place from this period.

The "transitions" in which I have situat~~ion~~ed the discussion is that to peripheral capitalism, or the articulation of the modes of production: that Third World formations are "<u>dominated by an articulation of (at least) two modes of production</u> -- a capitalist and non-capitalist mode -- in which the former is, or is becoming increasingly dominant over the other."[14] Dual reference must be made: to the structure of the pre-existing mode of production, and to the reproductive requirements of the newly emergent capitalist mode of production.

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[14] John Taylor, p.101.

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I have taken the revenue farming system in Southeast Asian social formations through this framework, from the pre-capitalist stage through the articulation with merchant, production and finance capital. The outcome is the generalisation that while the system was intrinsic to the pre-capitalist mode, its working was not central to it. The farms grew in importance with the development of the interests of merchant capital. The articulation with production capital saw the farms serving to mitigate the potential dislocating forces of seperating the producer from the means of production, hence in turn enhancing state power by providing very substatial tax revenue from the enclave industries, while keeping intact the social and political fabric. With the advent of finance capital however, the farms and the operations they supported became inimical to the ambitions of the Western enterprises, and the more intrusive state machinery that were necessary to serve them.