Some Reflections on Professor Boeke’s Theory of Dualistic Economies

Mohammad Sadli

PART I: EXPOSITION OF THE THEORY

Reviewing Professor Boeke’s conceptions on the highly controversial subject of “dualistic economies” is a somewhat slippery engagement, for Prof.Boeke used to blame his opponents for misinterpreting and misrepresenting his ideas.

Being aware of this the present writer can only try to minimize the risk by sticking close to Boeke’s original wordings and not to try to condense the exposition too much, for the danger of condensing is that often a biased representation is abstracted. On the other hand, Dr.Boeke’s “dualistic theory” is perhaps not free from inconsistencies. This opinion is shared by Prof.Higgins in his article (Higgins, p.105); these inconsistencies have perhaps contributed much to the so-called misinterpretations.

What is Prof.Boeke’s theory in essence? It is the following: “Social dualism is the clashing of an imported social system with an indigenous social system of another style. Most frequently the imported social system is high capitalism. But it may be socialism or communism just as well, or blending of them”. (Boeke II, p.4) The emphasis here is on the clash, between an imported and an indigenous social system of divergent character. The clashing societies have quite different values systems and quite different other characteristics.

Boeke asserts then that “every social system has its own economic theory. A social economic theory is always the theory of a social system. Therefore, the economic theory of a dualistic, heterogenous society is

1 Republished from ‘Ekonomi dan Keuangan Indonesia’, June 1957.
Mohammad Sadli

itself dualistic. It has to describe and explain the economic interactions of the two clashing systems. In so far it even will have to be three economic theories combined into one: the economic theory of a pre-capitalistic society, usually called primitive economies, the economic theory of a developed capitalistic or socialistic society, usually termed general economic theory or a summarily social economic theory, and the economic theory of the interactions of the two distinct social systems within the border of one society, which might be called dualistic economics”. (Boeke II, p.4-5)

How are the two clashing societies different from each other so that two distinct economic theories have to be applied to them? According to Boeke the “Western” economic theory is based upon the propensities of a western society, which are: “(a) unlimited wants on the part of the economic subject; (b) money economy as the system under which the economic subjects live; (c) many sided corporative organizations, on which the individuals base their economic activity. These fundamental principles are inextricably intertwined”. (Boeke II, p.10). Boeke further describes the system of values under capitalism as that it “finds expression in rationalism, in the tendency to make self-interest our lodestar, in limitless multiplication of wants, in exchange, trade and traffic, in a sharp distinction between business and household and the continuous narrowing of the latter, in the commodity-character of all products, in a steady growing division of labor, with its counterpart: organization and planning, in contracts and in corporation”. (Boeke II, p.13).

At the other side is the precapitalistic village society “with their original and organic social ties, their traditional tribal system, their limited and modest needs their principle of agricultural production for subsistence by independent families, their subordination of exchange as a means of satisfying wants, their lack of a spirit, of profiteering, of competition, or organized enterprise, of professional trade, of capital, and of mechanized industry, with the irregularity of their exertions, with their subordination of the economic motive to -and blending with- all kinds of religious, ethical and traditional social motives; in short with the pre-capitalistic characteristics, these millions of small worlds may truly be said to make up a world of their own”. (Boeke I, p.3).

The essential character of this clash between the two societies (or economies) is that it is not a temporary or transitional stage, but a lasting disequilibrium. Social-economic dualism, far from being a passing phase the termination of which may be hastened by a western policy of
integration, must be accepted as a permanent characteristic of a large number of important countries, permanent at least within a measurable distance of time.” (Boeke III, p.294)

This lasting character, if true, has far reaching consequences on development problems. In fact, it almost excludes the possibilities of development. It conveys a very pessimistic outlook for modernization and the improvement of living standards. “I will expose on plans”, says Boeke, “except to stress the need for a “village restoration”. This restoration will not take place through a revival of the rural gentry, but must follow more democratic ways. New leaders must spring from the small folks themselves, and must be accompanied by a strong feeling of social responsibility in the people themselves.” Just how all of this is to be accomplished, Prof. Boeke does not say; “but the sphere of action must be small, the time slow, and the goal won by “faith, charity, and patience, angelic patience”. (Higgins, p.104; Boeke IV, pp.336-339).

Why does Boeke think that this dualistic disequilibrium situation lasts so long? In the West capitalism has also conquered a primitive and traditional realm. In the West the mentality which prevailed in the urban centers penetrated into rural society and revolutionized among the villagers not only principles of production but their whole conception of life. Where production had been carried on almost entirely for subsistence, with the sale of only small surpluses in the market, production for exchange became the rule. The farmer became entrepreneur, producing in corporate connections. Rural industry developed as a fruit of the new intercourse between town and country; agricultural cooperation grew as a new plant from its roots; specialized enterprises were formed with separate market organizations; agriculturists imitated the technical principles of urban industry – mechanization, standardization, concentration, capitalization. These concepts became common property in rural society, as it adopted profit for is watch war, money and market for the base of its enterprise.

In this way, the old homogeneity in an economic sense between town and country was re-established on a new level, but at the cost of the traditional rural social structure. The town had conquered the country which absorbed the new conception of life; together they overran the ancient village organization.

Such was the modern development in the West, in Europe, in the environment where the new social economic theory was born and bred and where it has its home. And because economists take the body of facts for their theoretic systems from the environment with which they are
familiar, their predominant theories today fit exclusively this part of the world". (Boeke I, p.1).

This same evolution could not happen in the Eastern countries where dualism in the social structure is now prevalent. The main reason, says Boeke, is because in the West the process had been a "process of endogenic social progression; of evolution, (and) ultimately homogeneity will appear because one system, be it a mixture (of declining pre-capitalism and emerging young capitalism) penetrates through all the strata of society". (Boeke I, p.3; underlining and brackets mine).

"In a dual society, on the other hand, one of the two prevailing social systems, as a matter of fact always the most advanced, will have been imported from abroad and have gained its existence in the new environment without being able to oust or to assimilate the divergent social system that has grown up there, with the result that neither of them becomes general and characteristic for that society as a whole. Without doubt the most frequent form of social dualism is to be found there where an imported western capitalism has penetrated into a precapitalistic agrarian community and where the original social system – be it undamaged has been able to hold its own or, expressed in opposite terms, has not been able to adopt the capitalistic principles and put them into full practice". (Boeke II, p.4).

A very important aspect of Boeke’s theory is the permanent or stagnant character of the clash between the two societies; it is therefore very important to realize what reasons Boeke gave for it. He was not so very explicit and elaborate about this matter, and we have inferred the following from his writings, which we have also quoted in the above.

First, perhaps because the modern organization is imported.

Second, perhaps because the modern organization is of the high capitalistic nature, in contrast with the young capitalistic system which absorbed the European village society in the last century. This reason is the same as what Prof.Higgins gave for dualism: the coexistence of a very capital intensive structure (the estates and mining industries) and a very labor-intensive indigenous structure, so that factors proportion in use are not always a reflection of factors proportion available. There is a sharp cleavage between the two economies. This is the "technical and economic reasons for dualism" (Higgins, p.112-113).

Third, is perhaps that the precapitalistic society in the East, rooted in the villages wan not able or did not want to adapt (for some reason) to
Some Reflections on Professor Boeke's Theory of Dualistic Economies

the "relatively modern, youthful and aggressive Western capitalism, established in urban centers and it reacted passively: injured and weakened, unable to resist the Western forces. But their number is too great to permit a decisive outcome, and the battle drags on". (Boeke I, p.2; underlining mine).

The third possibility is possibly related to the first, but we have listed it nevertheless as a different cause since it can throw a clearer light on the process.

We want to examine a little further in this paper the highly crucial question whether dualism is really an unavoidable and a permanent phenomenon. But first it is necessary to examine what the products of interactions are between the two clashing societies with different values. Boeke is not very encouraging about this. The main theme he wants to convey is that the pre-capitalistic society fails to adapt fruitfully; instead it disintegrates and degenerates, its members becoming more and more victims of misery and increasing poverty.

**Indebtedness** and **overcrowding** are the two major consequences resulting from the clash and the inability of the rural society to adapt. Boeke sees the working of Malthusian laws as inevitable. The tradition bound precapitalistic society is not willing to dispose of its ethics of having many children. This ethic was perhaps well suited to the previous natural condition where in agriculture - with plenty of land available every hand was productive, thus welcomed, and that families need to have many children in the face of the high death rate. But presently, every temporary surplus is soon dissipated away by the lowering of the death rate and consequently rising of the net reproduction rate. "Colonization, emigration, industrialization, irrigation, agricultural improvement, and so on, are the symptoms among the people themselves of a growing realization of their own responsibility for the realization of the population problem. But these programs will never bring permanent relief and in this connection it ought to be mentioned that the pre-capitalistic forms of birth restriction, abortion and infanticide, again are spreading, and that especially abortions today is practiced universally in that part of the world". (Boeke I, p.42).

Rural indebtedness is the result of incapability of the pre-capitalistic society to adapt itself to the economy of exchange. "Most of the people in the Orient depend on agriculture. This agriculture is for subsistence, in principle remains outside the system of exchange, and is not directed towards making money and profit. Nevertheless people are increasingly obliged to incur money expenditure, with the penetration of their
economy by Western capitalism in the shape of import products, transportation services, money interest, cash rents, and money taxes.

This discrepancy is the economic aspect of dualism. It causes a permanent shortage of money, and subjects the rural population to a constantly increasing burden of debt. The peasant is obliged to sell an ever larger part of his crop outside the village, although his produce is not suitable for this purpose and although in point of fact, he needs it to feed his family; although the market prices are unfavorable; although he is inexperienced in marketing practices; and although only a fraction of the price paid by the consumers comes into his hands. Advantage, desire for profit, or commercial considerations have not counted in the choice of the crop and therefore cannot affect the value transaction either. When prices are low, a larger part of the crop will be sold than when prices are high; but correspondingly nobody will abandon his food crops because their cultivation has become unprofitable and the market price has dropped below production cost”. (Boeke I, p.58)

The farmer thus becomes increasingly dependent upon the exchange market. At harvest time he uses to sell an increasing amount of his crop at low prices and has to buy part of it back at paceklik (meager period before next harvest) at much higher prices. At the time of sowing and planting he also needs money to buy the seed, perhaps also to pay a help. At times he is obliged to hold slametans (offering feasts) to celebrate a family happening such as birth, circumcision, marriage or death. An important part of the consumption pattern of the village community is dedicated to this “social consumption”, which is very inelastic to income fluctuation.

All this is good breeding ground for the money lenders, a very familiar character in Eastern villages. But the money lender is not regarded as usurer at all. Surely he is not a philanthropist either, but this function and services are needed in the present setting of a village community, as long as propensities are not changed and the proper institutions, (village banks, etc.) to handle the demand for credit are not adequately available. Economically speaking, the problem of indebtedness is a circular problem: poverty increases the people’s liquidity preference, thus the interest rate; scarcity of capital (and saving) limits the supply of it and form another cause of high interest rate. In all it is logical (and not specific “Eastern”) that interest rates are high. But this alone cannot fully explain the extent of rural indebtedness. The propensity to incur debt must have additional non-economic causes, and Boeke is probably right in his assertion that the whole pre-capitalistic
village atmosphere is not conducive for the growth of a spirit of “accounting mindedness” among the farmers. The farmers are helpless against money. They have never learned to regard money as an accounting unit, or to count in terms of profit and loss. Money is for them just another precious good and incidentally a good means of exchange. If they incur a debt, they soon forget about the principal and they only worry about their interest obligations. The money lenders also seldom remember them about this principal, and this is perhaps why he is usually not regarded as an exploiter (although in time of crises and bitterness the villagers sometimes come to murder him), for all what he stresses is the pay of the interest. We find that this was mentioned again in Arthur Goodfriend’s recent manuscript when he described the occasion of a death of a baby: “Neighbours dropped in to offer their condolences. Among the first was the money lender. He urged Djogo not to worry about the money he owed. “Just try”, he said, “to keep up the interest payments”. (Goodfriend, p.73). Meanwhile, an interest payment of 10% per month (at times of inflation more) is quite common for such advances.

The self-sufficient pre-capitalistic village community has other values or propensities as well, which are of major importance for understanding Boeke’s dualistic theory. Since production (at the farm) was regarded mainly for the provision of their own wants (which are limited) outside labor, for instance in a town or at a plantation, is never regarded as a permanent engagement. The supply of outside labor from the viewpoint of the farms is “marginal”, just to acquire cash needed for paying taxes, buying kerosene, salt, textile, etc. Those additional expenses are limited, thus as soon as the required amount of cash is earned the propensity to work (outside) drops. This is the well known phenomenon of the backward bending supply curve of labor, experienced by many European employers.

When plantations raised wages the result was frequently absenteeism, gambling, drunkenness, etc. This phenomenon occurred also in “contract coolies” communities, these are laborers contracted from Java to work (full time) at plantations in North-Sumatra. This paid labor was for them never a marginal occupation. Modern sociologists, therefore, would hesitate to present a single cause for the explanation of this phenomenon. Barry Moore (in “Western Impact on Indian Society”) remarks on this aspect: “No firm facts are available that would enable us to determine whether the reduction of effort was due to cultural factors such as the absence of a tradition of frugality and hard work, to an abundant supply of labor, or to the fact that the work itself may be
Mohammad Sadli

actually be close to the limits of human endurance. Quite probably all three factors are at work in varying degrees at different times and places. Irrespective of the source of such attitudes there is some evidence that this range of alternatives is unsatisfactory to the (Indian) workers themselves.

Apart from the fact whether peculiar social values are the cause of backward bending supply curves or not, one can point at economic reasons which at times and places have produced the same phenomenon. For instance, if a raise in wages is not matched by an appropriate increase in spending availabilities. Many western owned plantations are situated in remote parts of the countries. The supply of goods (which are income elastic) can be very fixed by difficulties in transportation, purchasing, etc. Therefore a rise in wages can temporarily mean nothing for the laborers, for he cannot buy more goods. At worst the local shopkeepers will increase the prices. It is therefore not surprising that workers find other outlets for their additional incomes, e.g., in gambling. In situations when the marginal utility of the extra money is very little, gambling is a way to increase it. Prostitution and other vices are in a sense industries with a more elastic supply curve in such isolated communities (especially in these contract coolie communities) where more innocent kinds of recreation industries are lacking.

On the other hand, a story is told that the backward bending supply curve of labor in a South American country is nicely neutralized by the distribution of a Sears Roebuck catalog an the organization of the procurement of the listed articles. By the provision of this opportunity the alternatives for spending have been increased. Demonstration effects operate and resulted in jacking up the level of wants.

It is at this stage perhaps already appropriate to point at some important phenomena of a rural economy, notably the potential existence of spatial monopolies. This is not the cause of the backward bending supply curve at all, but it can strengthen it. The village community is dispersed; moreover, in those underdeveloped countries transportation facilities are inadequate. The people are poor and not able to overcome the friction of space very far. These are all building stones for a spatial monopoly on the part of the wholesale buyer of the agricultural crops and the distributor of imported commodities. In many Asian countries both functions are embodied in the same merchant. The Chinese middleman-storekeeper is a well-known example, combining the function of buyers of farm products, distributing necessities, providing credit. For two or three villages there can be only one grocery store which
combines all these functions. There is no room for a large number of those agents, thus exists while the alienness of the storekeepers facilitate the collusion vis-a-vis the atomistic farmers group. This rural phenomenon of spatial monopoly is not uniquely restricted to the East, it is universal instead. Fifty years ago the same situation of spatial monopoly existed in rural areas in the US. The growth of the mail order house business has eliminated much of the monopoly power. But such an alternative is currently not available in many underdeveloped countries except for the experiments with village cooperatives, which are on a much smaller scale.

Under these conditions of spatial monopoly on the part of the (Chinese) storekeeper there are all chances that the terms of trade of the farmers vis-a-vis these shopkeepers can never be favorable.

Under such conditions (and ceteris paribus!) Boeke might be right when he suggests that the only “relief for poverty” is going back to the old village pattern and avoid the exchange economy. It is true that exchange increases welfare for one can move up on a higher indifference curve, but between the farmer and the village grocer is no true exchange. Because of the credit tie the villager is compelled to sell his crop at prices fixed by the grocer while he has to take the articles in the store for their pries or leave it; often he has no competing supplier. All this, incidentally, led Hla Myint to observe that all what counts for the natives’ welfare in these plural societies is the internal terms of trade (Between farmer and wholesaler) and not the external terms of trade (between countries). The problem of breaking this monopolistic position of alien groups on the farmers is one of the most important socio-economic problems of these countries.

The spirit of the pre-capitalistic village community which emanates from a system of self-sufficiency, and consequently limited wants and profit motive, is hardly conducive for a social solution such as industrialization and migration. As Boeke says: “In the main, the impediments to migration are social and psychological. The Asiatic, at least the Asiatic agriculturist, is an inhabitant of the plains and does not like mountain country; his duty to his ancestors binds him to his native soil; his communal sense binds him to his native village; he must have an opportunity to cultivate irrigated fields; he is more liable than are members of less conservative populations to suffer from a change of climate; above all, he lacks the spur of the spirit of enterprise and of the desire for profit because he is still guided by reliance on self-sufficiency”. (Boeke I, p.45; underlining mine).
So far the intrinsic characteristic of a precapitalistic society as Boeke described them. What happens if such a community has to deal with the imported capitalistic system? Frustration, disintegration and poverty are inevitably the fruits of such a contact "It isolates the individual, old and young, from the close community with family and village; forces on him all kinds of organizations imported from the Western world – organizations in which he does not feel at home and which, therefore, he makes use only as an outsider, forbids and combats his social and religious customs, takes a positive interest exclusively in his economic activities; and accentuates his economic wants without being able to procure for him the means, or strengthen such means as he has, to satisfy these wants. As a result, a sense of frustration and of poverty is awakened in the individual". (Boeke I, p.13)

POVERTY AND ITS RELIEF:
Dr. Boeke’s diagnosis finds its climax in the therapy. The patient is incurably sick. All what one can do is stilling the pain. Recovery may come, if at all; if it comes it will come but slowly. The root of all evil is "that a precapitalistic society is driven further and further away into an exchange economy for which it is not fitted and which it cannot master".

"It is impossible to transform small cultivators of food crops into commercial agricultural entrepreneurs, producing with profit for a ready market. It is impossible so to increase the productivity of the food crop cultures that they become a profitable business. It is impossible to thin out the crowded peasantry sufficiently to give it the necessary elbow room. It is impossible to create industrial means of existence to loosen a sufficient percentage of the cultivators from the land and so make room for a favorable division of the cultivable area, with land enough for each of the remaining peasants. Neither agricultural reforms nor resettlement nor industrialization are efficacious measures to arrest what Chinese authorities call rural bankruptcy".

"It will be necessary to acquiesce in the immutability of the dualistic character of oriental countries, in the perpetuation of the subsistence economy of the rural masses. Once this view is accepted, it will be seen that these masses must be burdened as little as possible with money demands. Their self-sufficiency will have to be strengthened. Their need for products brought from outside, and especially imported products, will have to be reduced. In short, the illusion that the masses can be developed in a Western way to become a limitless market for Western
industrial products will have to be abandoned. The static, traditional character of precapitalistic society will have to be consolidated in contradistinction from the free, dynamic development in the capitalistic sphere. This dualism will have to be accentuated by respect for and rehabilitation of the oriental characteristics of the village community. Unless, the increase of the population can, not only be brought to a standstill, but be reversed". (Boeke I, p.68)

PART II: THE EVALUATION OF THE THEORY

It cannot be denied that Boeke’s descriptions of the Eastern (or perhaps only the Javanese) villages are in many instances true. Boeke knows a lot about the Javanese village life in the colonial period. It cannot be otherwise for a keen and intelligent observer on the spot for some twenty years.

His claim to establish a special economic theory for these dual societies can perhaps even be granted, although may economists will deny him this. It all depends upon what one understands with economic theory. Any society, whatever it maybe, must somehow meet three fundamental problems:

1. **What** commodities shall be produced and in what quantities?
2. **How** shall goods be produced
3. **For whom** are goods to be produced. (see Samuelson’s “Economics”, p.15).

In a primitive society, custom may rule every facet of behaviour. **What, How, and For Whom** may be decided by traditional ways of doing things, In a dictatorial system one central authority might decide upon these questions. On the other hand, a “capitalist free enterprise economy” a system of prices (of markets, of profits and losses) primarily determines **What, How, and For Whom** goods and services shall be produced.

An economic theory can hardly be said to exist for a primitive and traditional economy if all decisions on allocation of resources and distribution of income are guided by fixed customs (what in practice perhaps never will occur). But what Boeke is interested in is the economic theory of dualistic society, that is, of the clashing societies. Perhaps there can be room for a separate economic theory for such a community, but if that economic theory has to explain the **What, How and For Whom** of the society in question, then it is clear that Boeke did not succeed in
developing such a theory (which explains the mechanics of an equilibrium system). Perhaps Boeke was seeking too far. All what he did was essentially explaining supply and demand behavior, e.g., the backward bending supply curve for labor and inelastic demand curves of people with "limited wants". Boeke did a lot of explaining of the social impact of a "high" capitalistic system upon a precapitalistic society, but this can hardly be called a separate economic theory.

Perhaps Prof. Higgins is essentially right when he maintains that the conventional economic analysis can take care of explaining economic interactions in a dualistic society. The propensities in a dualistic society are different. Therefore the supply curves of the factors of production and the demand curves of consumers can be explained in the light of those social characteristics; but once the proper curvature of the supply and demand schedule are established, conventional supply and demand analysis can take further care in arriving at the equilibrium situation. Indifference curves between work (effort) and leisure may different and thus the demand curves in relation to income and price changes. If developing a specific consumption and demand theory for these dual societies is all what Dr. Boeke understood in creating a particular "economic theory" then such is his own right. But even in that case he did not go very far and his theory remained essentially static. But he probably could not do otherwise since he believes in the permanency of dualism.

Wants are limited in a pre-capitalistic society, according to Boeke, and this is the cause of almost all failures of economic development. As long as wants are limited, we agree, no development can take place because this development is then simply not wanted or understood. But Boeke himself admits that wants of the natives can be increased by government action. But this is condemned by him because it "accentuates his economic wants without being able to procure for him the means". But once the scope of human (economic) wants can be broadened, however, the rigidity of Boeke's theorem is likely to fall apart. The indifference curves between effort and leisure may shift and consequently the backward bending part of the supply curve (of effort) pushed back to a region where it usually does not enter into conventional analysis.

What about the Malthusian phenomenon? This can spoil every improvement in living standards, as each increase in productive effort is soon dissipated away in the increase in population.
It is quite true that increase in wants alone cannot solve the problem. But these problems can be further taken care of by tools of modern economic analysis. The main problem is that of formation of scarce resources. If the rate of capital formation (completed by adequate entrepreneurial and technical skills) lacks behind population growth, then regression cannot be stopped. If the first is greater then a positive rate of progress is achieved. One does not need to create a special economic theory for dualistic societies to explain these things.

A provocative aspect of Prof. Boeke’s dualistic theory is the claim that this clash is permanent, at least there is no prospect for direct relief. This presumption occupies a very strategic role in Boeke’s theory because it leads to his conclusion that the Gandhiistic prescription of “plain living and high thinking” is the only way out. Poverty cannot be transformed into material welfare. But since poverty is (according to Boeke) a psychological state of affair (that is, people are poor because they feel they have far less than other people), it can be relieved by philosophical acceptance and the pursuit of high spiritual reflections.

It is understandable that most present day Indonesian revolt against this prescription. Boeke himself, however, is not so very convincing. The logical chain between the clashing of the pre-capitalistic society and the imported high capitalistic society on the one hand, and the permanent character which he attributed to this clash on the other hand, is not very clear and convincing. As mentioned earlier in this paper, Boeke listed three (possible) causes; (1) because the capitalistic society is imported, (2) because the imported capitalistic system is of the “high” capitalistic structure, and (3) because of the receiving precapitalistic society is unable or unwilling to adapt, and is to big in number to give in and be assimilated.

A deeper analysis of the working of these three causes is not given, and this is the unsatisfying part of it.

It would be much more fruitful to leave the possibilities for adaptation, integration or synthesis open, and to try to analyse what the particular problems are for this process. We want to advocate this approach as being more significant rather than the approach of Boeke of just staring at the clash. (“Dualistic theory is no more and no less than this clashing of the two communities”, he once wore in a letter).
PART III: THE PROCESS AND PROBLEMS OF ADAPTATION OF EASTERN UNDERDEVELOPED COUNTRIES

It is absolutely not the purpose here to present a theory of the process of adaptation and acculturation. The process itself is certainly very complex and not properly understood yet. But since we have engaged the main attack on Boeke's theories in this area, it is perhaps proper to say something about it. We want to state the problem specifically: what are positive (conducive) actors and negative (deterring) factors in the process of adaptation and acculturation?

there is the attitude of the "receiving" culture. Does it want or does it not want to acculturate? The appreciation of the receiving society on the giving country is important. The Chinese, for instance, always found their own culture superior to any of the "barbaric" intruding cultures, and this attitude certainly was a barrier to fruitful adaptation or acculturation.

Second, there is the scope and intensity of contact. If contact is widespread, it is almost certainly that certain acculturation will occur.

Third, the Who in this contact is important. If the contact group is not a social leading group, or not a reference group, it is not likely that the acculturation will be diffused. On the part of the incoming culture it is also of crucial importance who the contact persons are. If a bunch of shrewd traders were the representatives of the West, it is not likely that these people and their culture found appeal.

The above are very general qualifications. Of course there are other factors which influence the process of adaptation. Social factors are important and we will come across them in the following. The above mentioned qualifications are presented in advance serve as a rough check list.

But before we go any further we want to ask ourselves what course of social change is likely to occur in the present day underdeveloped countries. This course will reflect then what kind of adaptation and acculturation can be anticipated.

The underdeveloped countries are by definition poor, while productivity is low. What they want is development, a higher productivity and consequently a higher standard of living. This can perhaps be debated by proponents of the Boeke school, but let us take all the efforts of the ECAFE and other similar countries at present for granted that they want the above aims.
We assume that most of these underdeveloped countries start with a pre-capitalistic structure: small self-sufficient production and consumption units. How is higher productivity to be achieved? Mainly by two ways: division of labor and round about (i.e., capitalistic) production methods. This entails specialization and a much larger output than the own consumption potential. An exchange economy is thus required. An exchange economy stresses the importance of transport costs. Localization economies will give birth to towns, perhaps first as nodal points of exchange between agricultural areas and the outside world which provide the industrial goods. The first service industries, will also tend to locate at these agglomeration points. If agricultural productivity increases a potential market for domestic industries will arise and consequently manufacturing industries will spring up.

Urbanization economies (i.e., the external economies achieved by the agglomeration of virtually different industries in an urban center) will attract many industries, in fact the greater part of these industries. **Urbanization becomes thus a progressively dominant pattern of social and economic growth.** Such was the growth pattern of the West, of Soviet Russia, even of Japan, and will no doubt – that is, if one drops the belief that dualism is permanent – be the case in the present day underdeveloped countries of the East.

We repeat, the growth process is as follows: division of labor, specialization, capitalization, exchange, industrialization, and urbanization. Why do we stress this growth pattern? Because we want to pose this that the cultural and social development has to follow the same path. The self-contained, pre-capitalistic village structure must give way for an exchange economy, for the integration of village communities into larger economic units, a national economy. The village economy must, at least in cases where it lies in industrial regions, ultimately be integrated with the urban economy in so-called urban metropolitan areas. These assertions are far removed from Boeke’s thesis which does not believe in the integration of village and town, etc.

We will not deny that the dualism (i.e., the clash) will disappear quickly once a deliberate modernization - e.g., industrialization - has been instigated. The process of acculturation and adaptation is bound to be a slow one; it can certainly not be achieved within one generation. On the other hand the problem is not so that development will not occur until acculturation has been completed. There are theorists who claim that until rational behaviour is completely adopted by all layers of an eastern society, modernization will only stay a thin finish, not capable for further
self-perpetuation or self-generation. These theorists used to point at the Japanese development as an example) or prediction?) of an unstable modernization because the Japanese did not take over the whole integrated spirit of the West; in their private life the Japanese are often still “medieval”.

We do not think in these rigid terms. A mixture of old and new in the outlook of people can exist without doing the economic structure much harm. Although we believe that the society is a system and that everything is in equilibrium with everything else, we do not know yet how precisely this equilibrium works, and how far “substitutabilities” are possible. The Japanese have a mixture of a highly modern business life with a more backward rural life, with a feudal pattern of social life, and this mixture seems even to facilitate rapid economic development.

It seems that life to some extent can be compartmentalized. Arthur Goodfriend told his story about the Indonesian doctor who is a highly skilled physician in modern sense but still believes in the perhaps magical potencies of the dukun (a “witch doctor”). How is all this dualism possible without confusion? Perhaps because the different functions can be separated from each other: the office work of the Japanese business man can be separated from his home life, the operation of the modern Indonesian doctor is separated from that of the dukun. The urban life can to some extent be distinguished from the rural life. The modernization of a backward country need not to be undertaken as a radical change in all fronts at the same time. We admit that wherever modernization can be introduced to increase productivity it has to be done. But the approach need not to be the same in all compartments of social life. The approach for the rural sector must be different that for the urban sector. The urban sector must perhaps necessarily be the most “modern” sector of life. We come back at this point shortly.

From the experience of countries, such as Japan, Soviet Russia, Turkey and others, we can probably adduce that social development can be “engineered” to accelerate the process. Social change must be wanted and deliberately instigated by a leading group within the community. The leading group is by definition a minority because we assume that the masses of people is (in the beginning) static and traditional in their outlook. It need not to be a ruling elite although chances for success are better if it is a ruling or leading one. This is because social coherence is of paramount importance in the process of social modernization. The more important is this social coherence for underdeveloped countries nowadays because they cannot hope for social development in isolation.
Many of these countries have within already plural societies where a common social and moral tie frequently does not exist. The importance of social coherence became the central point of Levy’s study on the growth of Japan and China. China lacked the social unity whereas Japan had it, and this was perhaps a strategic factor in the success of the latter and the failure of the first. Says Levy: “In Japan the transition did not undercut the system of control over deviance or the possibility of highly controlled direction of the members of the society, as was the case in China”.

“Control” in this respect is not to be interpreted in only its imperative meaning (although this element is certainly existent) but in the society the spirit of “follow the leader” can be strong enough to have the direction of the movement stipulated without force at all. The leading elite is here a so-called “reference group” and the source of the authority can be various; it can be tradition-bound authority (the Emperor in Japan, etc.), a new ruling elite who replaced the old ruling class or estate by conquest, revolution, or something else, and where the loyalty of the masses is rather transferred automatically (because people are used to obey). The Communist Party in Soviet Russia and Colonial Regimes in the East are perhaps good examples of this type of social stratification.

But why did Indonesia, India, Burma, etc. did not develop socially (and economically) under the tight colonial administration? If we interpret this question only in its aspect of acculturation, we could probably use the check list mentioned in the beginning of this Part, namely, attitudes, scope of contact, and nature of contact.

The attitudes were perhaps not favorable. The intruding foreigners were not liked. On the part of the colonizers it was also very doubtful whether they wanted the natives to emancipate. Virtually no opportunity was given for the indigenous population to have a responsible share in the modern administration and economy. General education in a modern sense was not encouraged. The contact with the western world was also very limited. Only a relative handful of Europeans were in the country and they lived isolated in their own sphere. They also kept this social distance because of a sense of superiority and also as part of their colonial policy. The Dutch with their containment policy deliberately kept the indigenous structure “intact” as much as possible, whereas the British only imposed their common law upon the indigenous social structure which naturally could not bring acculturation whatsoever. There is some acculturation in the higher social classes which had closer dealings with the foreign rulers (as sub-rulers) but because of rather rigid class or estate distinctions there was very little diffusion down below.
About the nature of the contact we have already said that some fruitful—though limited contact was maintained between western officials of the colonial administration and the indigenous aristocracy which was incorporated in the colonial regime. That is why most of the present day national leaders in many of these Asian countries come from this same social class. But outside this contact there is not much to be proud of. Many Europeans who went to the East to try their fortune were not the best specimen—at least in cultural sense—of the western culture, although they may not lack the spirit of profiteering. The kind of acculturation which occurred in the colonial armies is certainly not the enlightening kind and was not altogether a blessing for the receiving countries.

The above is perhaps a further examination of Boeke’s first cause of dualism, namely that the high capitalism is imported. Because it is imported by a colonial power there is a negative (and perhaps hostile) attitude towards acculturation; the contact is limited and not of “high quality”.

Boeke himself denied strongly that colonialism has anything to do with social dualism. On the contrary, he believes that the “enlightened” kind of colonial rule (the “ethical rule”) is blessing for this dualistic society. Says Boeke: “the Government has not shown itself a willing instrument of capitalistic interest but has acted as the protector and promotor of what it regards as Indonesian interests—as the interest of each part concerned in the country’s industrial life, in its production in the widest sense. This is the new economic policy of the authorities, a policy in really grand style”. (Boeke II, p.228)

Furnivall, on the other had, has another explanation of dualism and in which colonialism is certainly a cause. He does not think in terms of dualism and the clash of a pre-capitalistic and a capitalistic economy. Furnivall, instead, thinks in terms of “pluralism”. Countries like the Netherlands Indies are typical of plural societies where the rulers and the ruled are of different races. The different societies within one country form closed worlds between them; they have their own value systems and there is no “common will” except, possibly, in matters of supreme importance, such as resistance to aggression from outside. In economic life this lack of a common will finds expression in the absence of any common “social demand” (perhaps Furnivall’s notion of social demand comes close to what we can call social welfare function). The absence of this common (or median?) set of values for the plural societies makes the (economic) exchange relations between the constituent societies similar to
Some Reflections on Professor Boeke’s Theory of Dualistic Economies

those prevalent in international trade. One economist once put the difference between national and international trade like this: national trade is trade between us, international trade is trade between us and them. It suggests that in domestic trade (and in domestic affairs) the trading partners are not completely “homo economicus”- minded, that is, only having eye for profit and not caring for the other man’s welfare. The two trading partners are controlled by the same “social welfare function”. In international trade such is far less the case. The capitalistic class is in plural societies more “rücksichtlos”. The Europeans and the Chinese in Indonesia are less restrained in exploiting the economically weaker indigenous population, because interracial moral restraint are often less severe, and also because alien groups (e.g., the Chinese and Arabs in Indonesia) stand there between indigenous population and the colonial rulers, having no social responsibilities whatsoever in their pursuit of gain and profit as long as they stay within the law. In these dependent countries there were no strong reference groups within the indigenous societies which could lead the process of adaptation. Where in Burma such happened under King Mindon, it did not last long: it was soon crushed by the British.

Boeke would perhaps strongly object this, arguing that in independent Japan, Thailand, present day Indonesia, etc., this dualism still exists. We do not deny that the process of adaptation takes a long time, perhaps generations. But there is certainly an important difference between “dualism” in Japan and in Java. The process of modernization in Japan in unmistakenly farther advanced than in Java. When the Japanese farmer is still poor, when he still has to submit part of his harvest to landlords, government and money-lenders, these are perhaps remnants of dualism, but it has also something to do with the development policy of the government (or the ruling class). But Japan has managed its agricultural revolution, a phenomenon hardly imaginable under a dualistic situation as described by Boeke in Java. Boeke’s dualism is static, hopeless. Japan’s dualism is perhaps much more dynamic. Income per capita is still low, and rural exploitation is therefore still possible, but this income per capita is rising.

We have wandered a little away from our central theme; the process of acculturation and adaptation. But we have perhaps picked up an important precondition (requirement) for successful adaptation (for economic development): the existence of a strong social will, sovereign enough within the community, borne by an elite which acts as a reference group. This social will is devoted to the sake of social development.
The social structure must be intact because social coherence guarantees the efficacy of authority of the leading elite. The leading elite, incidentally, must have the proper capacities to lead, to **innovate**. It must be flexible in the execution of its role; it must assume new roles where circumstances command: it must keep the system of social stratification open for new members who are better equipped for the new roles. It must in this way always be prepared to broaden its own base.

In the foregoing we have asserted that the process of economic development leads ultimately to industrialization. An industrial culture is in essence an urban culture. In economic as well as in social processes we find many hen-and-egg phenomena. This **circular relationship can perhaps be used as a tool for social engineering.** We want economic welfare through economic development. This brings us ultimately to an urban civilization, whether we like it or not. But one we accept this, can't we play with the reverse relationship" We create urban centers by putting industries in urban agglomeration. Can't we hasten the process of economic and social development by doing so? It is perhaps a somewhat wasteful way of proceeding, but “shock-treatments” are sometimes needed to break up “cakes of customs”. There is a high correlation coefficient between urbanization and literacy, the use of mass media, impersonal relationship (contracts, etc.), the breaking up of extended family ties, rational behaviour, etc. All these characteristics are the right properties for a developed exchange economy. We can probably conclude from this why social development was not so successful in the Netherlands Indies Urban industries were not undertaken in any appreciable scope. The agricultural (estate) and mining industries were too dispersed, too rural, to convey a new spirit of modernization to the masses. And in the terms which Prof.Higgins used, the “population multiplier” was too small.

Seen from this standpoint, the craving for industrialization (complete with a steel mill!) of many underdeveloped countries, for its own sake almost, comes in another light. Western economists are quick to condemn this and on good economic grounds. (Incidentally, a steel mill is now more a market oriented industry so that lack of domestic resources is no severe economic objection; the size of the market is the only limiting factor). But these economists used to teach that industrialization must come by itself if productivity increases and markets widen. Productivity must be increased in line with comparative advantage. Industrialization is a result of development and not the reverse. But if industrialization and consequently urbanization can create the required propensities, at least the development of the required human factors can be fostered. And

42
it is perhaps this human factor that is the most important in the process of economic development. How is it otherwise to be explained that Japan and Germany, after being destroyed by the war could build up their economy so quickly, whereas certain underdeveloped countries cannot even use a credit line of $100 million from the EXIM-Bank in five years? Capital is perhaps not the scarcest resource in comparison with complementary human resources. An Indonesian official traveling in Eastern Europe told this story of advice given by some people over there; "Western economists are bad advisors for you. They are not much different than the former colonial theorists. They always let you proceed cautiously, economically, which means very slowly. They criticize your plans for steel mills and stress that you limit your industrialization to small industries. We can give you only this advice: go ahead and industrialize your country as much as you can. Problems can be solved by going!"

This advice is most likely also politically colored, but since it comes from a source which have the same problems as many underdeveloped countries on the other side of the fence, it sounds sympathetic and every grain of truth is eagerly appreciated.

One last word about Boeke's theory. In a descriptive sense it certainly contains a lot of truth. It is of crucial importance to take account of cultural and other human factors in dealing with development problems. For this he has made a great contribution. In fact his theory has been used either by the colonial government and by the national government as well as the base of a protectionist policy domestically. The farmers must be protected from expropriation of his land, indebtedness and usury, the laborers from exploitation, the indigenous newcomer businessmen from murdering foreign competition. This kind of public policy is strongly recommended by Boeke himself and one can read his public, policy recommendations (Boeke II, pp.230-320) while forgetting about his principal diagnosis and therapy. Protection is also needed for another purpose: to prevent social disintegration and to preserve social coherence.

It looks like if Boeke himself wanted some of this social rehabilitation. One of the policies he stresses was village restoration. Village restoration (now called community development programs) is necessary, but certainly not in Boeke's sense. Time cannot be set back. The postwar Indonesian village has made some steps already in modernizing its community life. The authority stratification is restored and imbedded in the local community. But this is also what Boeke wants. The present-
day Indonesian village, however, has gone farther. The village is incorporated in (or linked to) larger social units. Local chapters of the labor and farmers unions, of political parties, cooperative movements, etc., are all new social innovations with the purpose to integrate the village unit with national units. This broadening of the village horizon is necessary, once we accept the progress of specialization, exchange, and widening of markets. The village cannot fall back upon its traditional pattern of self-sufficiency, instead it must be part of a wider market system, encompassing the country and the world.

As a postscript we want to end with the remark that we did not try to evaluate the political content of Boeke’s dualism, although it might well be that this aspect is the root of dualism. If dualism was not created by colonialism, the latter certainly did strengthen it. Indonesian opponents simply believe that Boeke was providing a good theoretical (and thus respectful) excuse to perpetuate colonial policy in the then Netherland Indies. Social science could not, as yet, prevent that sometimes the wish is father of the thought.

REFERENCES:


Boeke II: J.H. Boeke, Economics and Economic Policy of Dual Societies, as exemplified by Indonesia” International Secretariat, Institute of Pacific Relations, 1953


Furnivall, J.S., Netherlands India, Cambridge at the University Press, New York: The Macmillan Company 1944


Eisenstadt, S.N., Sociological Aspects of Economic Adaptation of Oriental Immigrants in Israel”

Some Reflections on Professor Boeke's Theory of Dualistic Economies

Development and Cultural Change, Vol.IV, No.2, January 1956
Goodfriend, Arthur, *Fifth Trip to Asia*, Type-written manuscript

***