

REVENUE FARMING AND IMPERIAL TRANSITION: AN ECONOMIC DIMENSION OF EARLY COLONIAL STATE FORMATION IN JAVA, C. 1800S-1820S

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ABSTRAK

Sistem sewa lisensi pajak (pacht atau verpachtingen dalam bahasa Belanda) adalah sebuah institusi fiskal yang sudah ada di Jawa sejak masa pra-kolonial. Pada masa VOC, bangsa Belanda memodifikasi, melembagakan, dan memperluas sistem tersebut sebagai salah satu institusi fiskal mereka sebagai solusi atas persoalan kekurangan sumber daya manusia dan hambatan administratif dalam pengumpulan pajak dari penduduk lokal. Berdasarkan alasan politik dan ekonomi, mereka memilih orang-orang Cina sebagai partner untuk menjalankan sistem tersebut. Dalam jangka panjang, sistem tersebut terbukti sangat efisien sehingga menyumbangkan pemasukan pajak yang substansial terhadap kas negara. Selama periode 'transisi imperial' dari tahun 1800-an hingga 1820-an, berbagai rezim yang berkuasa mempertahankan sistem tersebut untuk membiayai agenda politik mereka. Tulisan ini berpendapat bahwa sistem inilah sebenarnya yang menjadi sumber finansial utama bagi bangsa Belanda dalam proses pembentukan negara kolonial di Jawa pada awal abad ke-19.

Kata Kunci : *sistem sewa lisensi pajak, pembentukan negara kolonial, transisi imperial, institusi fiskal*

ABSTRACT

Revenue farming (*pacht* or *verpachtingen* in Dutch) is a fiscal institution that existed in Java since the pre-colonial period. During the VOC period, the Dutch modified, institutionalized and extended it as one of their fiscal institutions to solve human resource shortage and administrative barriers in collecting taxes from local population. For political and economic reasons the Dutch favored the Chinese as main partners in operating the system. The system was proven efficient to an extent that it collected substantial revenue contribution to the state exchequer. During the period of 'imperial' transition from 1800s until 1820s, changing regimes in Java retained the system to finance their political agenda. This paper argues that revenue-farming system was the financial source for the Dutch in establishing a real colonial state in Java.

Keywords: revenue farming, colonial state formation, imperial transition, fiscal institution

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INTRODUCTION

The historiography of Dutch-Asiatic relationship has recognized lately the importance of the period between 1790s and 1820s. The period has been considered as a crucial transition of the Dutch empire in the Indonesian archipelago, which determined its political economic direction in the subsequent periods. The term 'transition' here refers mainly to regime changes and their political economic aftermaths in the region: the bankruptcy of the Dutch East Indian Company (*Vereenigde Oost-indische Compagnie - VOC*) in 1799, the establishment of the Netherlands India – a truly Dutch colonial state administration since 1817, and in between, a brief British Administration (1811-1816).

From a global perspective, this regime changes connected to other bigger events in Western Europe that influenced the course of global history and changed the previously well-established socio-political landscape of Europe, i.e. the French Revolution (1789-1795), the Napoleonic wars, and the Industrial revolution. For the Dutch settlers overseas in the archipelago and elsewhere in Asia, these events affected not only their commercial activities and their relationship with other European powers, the British in particular, but also their future position in this region. This was more tangible after Napoleon invaded the Low Countries in 1795 and put them under French protectorate and the leadership of Louis Napoleon (Lodewijk in Dutch) who was crowned the King of the Netherland in 1806. One of the consequences was that the Dutch had to involve in the Napoleonic war (1803-1813) against the British, including in the Asiatic colonies, and also engage in the introduction of Napoleonic ideas to those colonies in Asia.

As the centre of Dutch colonial empire since the 17th century, Java was among the first places where the collateral effects of this global change were clearly visible. Java, indeed, was one of the important hubs and fascinating places to see how those global changes, imperial struggle, warfare, and changing Western ideologies, took place in a far locality. During the period 1790s-1820s, Java

hosted four consecutive regimes: the (falling) Company System of VOC, the Franco-Dutch, the British interregnum, and the Dutch colonial state. It is obvious that this regime changes had multi-dimensional repercussions in Java and other islands in the archipelago, but even further elsewhere in other parts of South and Southeast Asia.

In a working paper, Blussé (2005:6-8) identifies at least four dimensions of the changes: political, economic, cultural and judicial. These changes, he argues, followed a chronological sequence of institutional breakdown, reconstruction, habituation, and consolidation. If these chronological sequences applied to analyze the economic dimension of regime changes, said Blussé, they would cover the following issues: the process of economic repair, reorganization of the monetary system, rearrangement of the fiscal system, combating the black market, and the restoration of socio-economic infrastructure.

In line with Blussé's reasoning, this paper seeks to examine the practice of taxation system in Java during the turbulence years of 1800s-1820s, by focusing on the practice of revenue farming system. There are three issues to be addressed; first of all, why and how did the different colonial regimes in Java retain this kind of taxation system, how did those regime changes affect the continuity or discontinuity of that taxation system (in a period when authority and legitimacy of the state was under construction), and how did the system contribute to the process of colonial state formation in Java. To analyse the issues, this paper adopts historical institutionalism approach, which suggests focusing on institutional transformation as a critical way in order to have better understanding of historical changes. This approach focuses on the ways that institutions structure socio-economic and political process and shape power relations in certain period and place, and in so doing influence their outcomes.¹

The paper is divided into four sections. The first section discusses the concept and historical roots of revenue farming in Java. The second

section examines the position of revenue farming under changing colonial administration. The third section reviews quantitative account of revenue farming's financial contribution during the period concerned. And, the last section presents some abstractions on the role of the system in the colonial state formation process to conclude the paper.

REVENUE FARMING: CONCEPT AND HISTORICAL ROOTS

Theoretically, revenue farming (*pacht* or *verpachting* in Dutch) is a sub-contracting practice by the state to private interests of the sovereign right of tax collection. Dick (1993:4) broadly defines revenue farming as:

A system by which the state leased, through auction to the highest bidder, the monopoly right to conduct a particular service, collecting taxes in particular, or to engage in a particular activity for profit, in return for an agreed fixed price paid in advance to the state on a routine basis."

Dick explains further that this taxation system typically belongs to an early stage of state formation, which experienced a shortage of manpower and administrative infrastructure hence seeking support by involving the non-state parties in the operation of state administration. The system was only retained until the state managed to establish a stronger bureaucracy, concentrate and centralize its power and take on the character and function of the modern, rational-bureaucratic state. In Java as well as elsewhere in the archipelago and Southeast Asia, the colonial government chose Chinese businessmen as partners to act as tax farmers (Dick, 1993:5). The Dutch did not entrust local aristocracies with the task for fear that they would corruptly use the collected revenue to strengthen their opposition against the Dutch. Moreover, the Dutch considered this system as the best way to benefit the Chinese's indispensable role in the economy, with their vast trade network, capital and knowledge of the local market and culture (Giap, 1983:160–63).

As an administrative institution, comparatively revenue farming had been existed in Western

world since the pre-modern times, although the exact time of its invention is unknown. After the industrial revolution, this institution emerged as a Europe-wide phenomenon along with the new nation-state formation and the expansion of state power (Tilly, 1975:75). In the Netherlands, this institution was well developed in the 16th century, when most of important taxes were all farmed out to distinguished merchants, who retained the monopoly rights for decades (Tracy, 1985:180). It was abolished in the early 19th century, when the Napoleonic regime ruled the country (Brugmans, 1976:8).

In Java and elsewhere in the archipelago, similar practice had been developed since the 9th and 10th century, which exemplified by the tax farms of tollgates along the overland route from Magelang to the north-central coast and those on the waterway along the Brantas River in East Java (Kian, 2006:27). Reid (1993:70) holds different view, saying that revenue farming developed in the intensive contacts between local rulers in the archipelago and the Europeans since the 17th century. He argues that the system of *syahbandarship* operated in most of Malay and Javanese ports, was in principle a step closer to the revenue farming. The absence of indigenous words to describe the practice of farming out taxation either in Malay or Javanese implied that such a system was not purely an indigenous development, but equally new for them (Reid, 1993:73-74).

Differing on the origin of the system, scholars agree that it was the Dutch who institutionalized revenue-farming system in Java. Dutch sources reveal that the system was introduced for the first time in Batavia, when its founder Jan Pieter Coen started to farm out the right to collect tax on gambling and weighing-house in 1620 and 1626 to a prominent Chinese merchant known as Jan Con (Thomas, 1893:23). By since the VOC expanded the system to other areas in Java and delegated its operation mostly to the Chinese (Blussé, 1988:52-53). The success of suppressing Chinese rebellion in the 1740s had strengthened the Dutch's political position in the north-coast region of Java, allowing them to bargain and even

to dictate the political decisions of the Javanese courts. This was critical for the expansion of revenue farming, particularly after the VOC sealed a treaty with the Mataram Kingdom in 1743, which stipulated that the VOC assumed control of the rights to collect the poll taxes and other tax income on the Java's Northeast Coast (Nagtegaal, 1996:47-48).

This treaty vested the Company with supreme power in the region, and gave it absolute authority to take benefit from available sources and maximized the profit of revenue farming. As a result, from 1758 to 1760, the Company secured an annual sum of 91,116 Spanish rix-dollars (Srd) or *Rijksdaalders* (Rsd.).² The yield increased to 96,870 Srd. during the period 1773-1775; and in the period 1782-1784 the revenue again increased to 125,400 yearly. It is no wonder that at that time, the Company men declared revenue farming as "the most important income" (*het grootste point van Compagnies inkomsten te deser custe*) (Jonge & van Deventer, 1909:356). In the meantime, the Chinese had controlled most of revenue farming activities in the Northeast Coast and other areas in Java.

REVENUE FARMING AND REGIME CHANGES

Furnivall (1994:80), in his classic work on Java, has coined the first quarter of the 19th century Java as 'the years of uncertainty', considering it as a period of regime changes and their politic and economic aftermaths. Meanwhile, from a fiscal point of view Day called the period as 'revolutionary', referring to some fundamental reforms implemented by the successive colonial administrations (Days, 1900:356). Roughly, the political economic reforms during this period can be divided chronologically into three phases: 1) the reforms initiated by Governor-General Daendels in 1808-1811; 2) the British's administration (1811-1816), during which Lieutenant Governor-General Raffles introduced a different colonialism ideas and practices; and 3) the Dutch resumed their reform (1816-1826), now led by Governor-General Van der Capellen.

During his short administration, Daendels who served under the auspices of Franco-Dutch administration in the Netherlands was sent to Java as first governor-general to handle various herculean tasks in this island. In addition to defending Java from British invasion, Daendels had to reform the corrupt colonial administration inherited from the VOC's time and to revive the military force without a sufficient financial support from the metropolis.³ For these purposes, King Lodewijk issued 'the instruction for the Governor-General of His Majesty's Asian Possession' on 9 February 1807 to be used as a blueprint for Daendels' administration. The instruction consisted of thirty-seven articles, which twelve of it dealt with military matters and instructions to defend Java from possible British attack. The rest of instructions dealt with civilian and economic matters. On the economic sector, the articles instructed Daendels to control commerce in essential products and to continue the practices of contingents and forced deliveries (Mijer, 1848:345-46).

In practice, Daendels' fiscal policies basically consisted, at least, of three important elements; *first*, the forced deliveries of products and labour services; *second*, the sale of land; and *third*, the monopoly and revenue farming, including introduction of the tax farm of opium. To support this fiscal policies, in monetary sector Daendels issued large amounts of paper money and credit to stimulate economic activities and rationalized regional bureaucracies to reduce feudal sovereignty of Regents in order to eliminate administrative abuses.⁴ For present purpose, this paper discusses only the third Daendels' fiscal policy, which was basically intended to retain the revenue farming practices, including monopoly of profitable commodities such as opium and salt.

Considering the limited number of government officers and the poor organizational and administrative supports, the policy to retain revenue-farming system was perhaps the most rational option for Daendels' short administration period. The system was applied to collect tax from a wide range of taxable economic activities. In

the end of 1810, *Bataviasche Koloniaal Courant*, the first and only government newspaper published at the time, reported that local administrators in Batavia and its surrounding areas farmed out licence to collect tax from about twenty five kinds of activities.⁵ Among others are the exploitation of forest, the export of fish, the fish market and fishery, the vegetable stalls, the poll tax of Chinese, the slaughtering of hogs, goats, and cattle, the trade of Chinese tobacco, the rice trade and rice export, the *sjahbandarship*, the gambling, the toll pass of crossing bridge and river, the *wayang* performance, the export of sugar, and the sale of opium.

In the Northeast Coast area, other revenue farms were operated, in addition to those like operated in Batavia. For example, the tax farms of cockfighting, the sale of liquors (*arak*, *tjiuw*), the sale of *prahu* (small vessel), salt, and bird-nest.⁶ In the Eastern Java and the *Vorstenlanden* (Principalities area of Yogyakarta and Surakarta) similar revenue farms were also developed. The only difference was that in the Eastern Java the revenue farming system was in the hand of the Chinese *Kapitan*, the buyer-owner of the lands, while in the *Vorstenlanden* Sultan of Yogyakarta and Sunan of Surakarta were absolute receiver and manager of the system. Again, all tax-farming activities in those areas were in the hand of Chinese merchants (Salmon, 1991:62-63).

In sum, revenue farming was the most important sources of revenue for Daendels' administration, and the initiated new rules did not change the importance position of Chinese tax farmers as main players in the field. Daendels succeeded in gathering revenues to finance his administration although in the end he failed to defend Java from British occupation.

Once the British took over Java in 1811, they introduced some fundamental change of governmental administration under the leadership of Lieutenant-General Thomas Stamford Raffles. One of the key fiscal policies of Raffles' administration was the introduction of a new type of land taxation (*landrente*) to replace the forced deliveries and contingents previously retained and practiced by Daendels. Raffles should wait until

1814 to announce the final version of land rent, which the assessment based on the principle of individual land property.⁷ This meant that he aimed at an emancipation of the peasants by reinforcing their legal status and by destroying the authority of *priyayi* (Hugenholtz, 1994:148-49). This was nothing less than a revolutionary idea to turn the Javanese social structure upside down, which proved later nothing more than a utopia. Raffles failed to operate his idea. Various difficulties hindered his experiments from having a full effect during his short service although he succeeded in laying foundation for further exploration of land revenue in the following decades of the Dutch rule in Java.

With respect to revenue farming practice, until the end of his administration Raffles did not take any fundamental steps to reregulate the existing system. In the first two years, the British government offered publicly new terms of revenue farming for the farm areas in Batavia and its environs through an auction. *Java Government Gazette* advertised the auction that included the following farms: the license for keeping vegetable shops, the license of the Chinese, slaughtering Cattle, slaughtering hogs, shorn goats and ships, manufacturing wax candles, cutting and selling Chinese tobacco, the rice-market, the fish-market, the *wayang*, the weighing-house, the consumption of liquor over the whole island, the trade to ships and vessels in the roads, the consumption of salt, and the exploitation of the thousands islands. All terms and conditions of the license farms based on the older practices that the revenue farmers could take benefit from the license they had during one year term and that they should pay the government a fix amount of money regularly either in gold or silver during the contracted term.⁸

Raffles actually intended to replace the revenue farming system by a direct collection by government officers. In Eastern Java, he managed to turn the salt tax farm into a government monopoly, especially after he repurchased the sold lands from the Chinese proprietor (De Waal 1865, Vol. 3:252). But his plan to reform other revenue farms hardly operated due to different

socio-political conditions on the local level. In the *Vorstenlanden*, for example, Raffles' plan to take over the existing farms in the region was rejected by the Sultans of Yogyakarta. When Raffles sent the expeditionary army to Yogyakarta in Mid-June 1812, all tollgates in the regions were burnt down which was likely under instruction of the Sultan. Realizing the important meaning of the tax-farms as his source of revenue for years, the Sultan hesitated to hand it over to the British. In the subsequent years, tax-farms became important ingredient of the conflict between the Sultan of Yogyakarta and Raffles (Carey, 1984:22-24).

For humanitarian reasons, Raffles also intended to eliminate opium farm and gambling farm, which he considered as source of degradation of Javanese population. He succeeded to abolish gambling farm, but his plan on opium farm was abandoned upon instruction from his superiors not to interfere in the Bengal opium trade. He was instructed not to interrupt the existing opium farm system in Java and the only thing he did was to restrict and confine the retail and consumption of opium in certain areas, such as the suburbs of Batavia, Semarang, Surabaya, and the *Vorstenlanden*. The continuity of opium farm during Raffles' administration can be inferred from the government advertisements of the opium farm auction on the *Java Government Gazette*. On 24 April 1813, for example, the government advertised an invitation to the auction of opium farms in Batavia, Semarang, and Surabaya for the term of one year, from the 15th of May 1813 till the last of April 1814.⁹ As a result, Raffles had almost no choice other than to farm out the whole circle of opium distribution to the older players, the Chinese (Baud 1881: 156-57). This policy shows that Raffles had no specific policies that significantly changed the pattern of the revenue system until the end of his administration in 1816. In general, during Raffles' administration some of Daendels' fiscal policies were retained, although Raffles also introduced some new fiscal policies.

The third phase of colonial reform was begun in 1816, when the British returned Java to the

Dutch. In the Netherlands, the old monarchy was restored after the son of *Stadhouder* William V returned from exile to be crowned as the Sovereign Rule on 30 November 1813 with title King William I. At this time, the Netherlands was in difficult situation because of a long economic stagnation since the second half of eighteenth century, and financial decline by the wars. Under such conditions, the Netherlands had great expectation that Java would be more profitable. Therefore, the King sent a team of commissioners to Java to formulate a 'blue print' of colonial policy and its legal basis. The team needed three years to remodel the policies and institutions for the new colonial policies. By 1819, the team formulated successfully a set of details of policies and procedures which was decreed in the *Regering Reglement* of 1818 to be implemented by one of its members, Baron van der Capellen, now served as governor general.¹⁰

Armed with a "blue print of colonial policies" Van der Capellen administration did not run smoothly without difficulties. During his period, Van der Capellen had to find his own way to tackle the legacies of previous institution and policy developed by the preceding regimes of Daendels and Raffles. Reviewing the whole of Van der Capellen' reign, Th. Stevens concludes that Van der Capellen's administration was a liberal one, especially his economic policies which were very much in line with the previous liberal ideas of Van Hogendorp and Raffles. Among his liberal policies were giving right to Javanese before the European to the land they worked, encouraging the peasant to cultivate freely commodities they thought profitable most on the market, restricting the extension of private land holding, promoting free labour use, etc (Stevens, 1982:231-34). Van der Capellen's policies, however, in the end failed to reach the idealized outcome as it hoped. The socio-cultural realities in Java did not allow such ideal policies came into effects, a situation which was realized by Van den Bosch four years later when he successfully introduced a new profitable system of colonial exploitation, infamously known as the Cultivation System.

As far as the fiscal policy concerns, the liberal mind of Van der Capellen did not come up with a

new set of revenue methods. In fact, he retained but even extended most of revenue sources, including revenue farms. All revenue farms were continued; and some revisions were made to maximize the yield of revenue. The opium tax-farm introduced in 1806 was extended to the whole island except Priangan, and now supported with the exemption of import tariff of this commodity. The exclusive long-run right to run a pawnshop that was first farmed out in 1814 in Batavia, now gradually extended to most districts of Java except the Principalities and the Priangan regencies. The farm of Chinese gambling (*dobbelspelen*) that was discontinued during the British administration was reintroduced in 1817, and a new tax on *pasar* was incorporated into the farm system after 1821 (*ENI* 1917:224-25; Diehl, 1993:207-29).

The Chinese merchants were still in dominant position to control the operation of revenue farming. Even more after 1819, when Van der Capellen adopted Daendels' idea to issue a placard prohibiting regents from conducting trade and other business, and turned them into a subordinate officials with a fixed salary with no more claim to land, pensioners, and other traditional rights. He viewed the regents as 'superfluous' and corrupts who might erode the government legitimacy (Schrieke, 1995:215-17).

For the sake of efficiency, Van der Capellen abolished some small farms of less importance economically but potentially could spark social disputes that harmed public order. In 1818, the government abolished the tax of marriage among Javanese in Tegal; the small production of artillery in Gresik; the sale of betel-chew leaves and fine chalk, and tax of *rongging* performance in Banten and Tegal; the sale of charcoal in Tegal; sugar area in Tuban; and firewood in Banten. The tax of wax-candle and rice market in Batavia was abolished in 1823 and 1824. The *pacht* of trade of *prahu* in Batavia and gambir in Banten were stopped respectively in 1824 and 1826. Finally, the tollgates farm was eliminated in 1824, started in the areas of Pekalongan, Kedu, Semarang and Surabaya, which completed in 1827 in the *Vorstenlanden* areas where it emerged as one of

the underlying causes of Java War (De Waal, Vol. IV:300-302).

Summing up, from an institutionalism point of view, it can be argue that during the three decades of imperial transition in Java from 1795-1826, revenue farming had exemplified an institutional continuity in the mid of changing regimes in Java. The system survived under four different regimes: the VOC's administration system, French-Dutch system, British System, and the Dutch colonial state. Yet, another concrete question was still unanswered, namely how much was the financial contribution of revenue farming to the process of colonial state formation in Java? The next section answers this question.

REVENUE FARMING AND THE COLONIAL STATE FORMATION

In the context of state formation, particularly in a colonial state of early modern period, tax or taxation system gave at least two important interconnected contributions: economy and politics. Economically, it served as indispensable source of revenue to create a financial basis for the state to run its administration or achieve its growing ambition. Politically, it was a useful instrument to strengthen control and legitimacy, and modernise organizational structure or infrastructure of the state (Ardant, 1975:165-70). In the case of Java, the successive regimes used revenue farming to finance their state formation agenda during the period under study.

During Daendels' administration, revenue farming contributed a considerable amount of revenue to the government's treasury. In his official report published in 1814, Daendels claimed that until 13 March 1811 the revenue farming had collected a total sum of 5.25 million Spanish rix-dollars of silver coin and 5.07 million money paper. In the first year of his governorship, revenue farming yielded a sum of 1,54 million Spanish rix-dollars copper and paper money from five main farm areas: Batavia, Cirebon, Banten, Semarang and Surabaya, or about tripled from previous year which contributed only Rds. 685,167. If this calculation true, this revenue contributed more than one third to the total government income of

that year that amounted to 5.3 million Spanish dollars, or more than half to the total yield of paper money of 2.15 million. This amount would be much bigger if the profit from opium trade as much as Rds. 88,246.48 was put under the category of revenue farming, which was not the case. For the two following years, unfortunately, Daendels' data did not specify the contribution of revenue farming to the government's total income (Daendels 1814, *Bijlagen 2*, table no. 64).

Bataviasche Koloniale Courant provided a journal, though unsystematic, of the yield of revenue farming from various parts of Java from 1809 until 1810. In Batavia, for example, the revenue farming in 1810 collected revenue Rds. 889,440 of paper money, less than previous year's amount of Rds. 1,007,552. But it increased again

in 1811 to collect 1.18 million *Rijksdaalders* due to the coming of more foreign ships and western commodities to the city. From Banten, the government in 1810 gained *pachtsom* as much as Rds. 6648 in silver coin, while from Cirebon Rds. 24390 was collected, less Rds. 135 than in 1809. In the government region of Northeast Coast, the yield of revenue farming in 1810 was as follow: from Semarang and its environs a sum of Rds. 435,405 was collected or Rds. 102,630 more than the sum of previous year; while in Tuban – Java's *Oosthoek* – the yield increased to Rds. 288,975 from Rds. 61,035 in 1809. So altogether from the whole area of Northeast Coast of Java, revenue farming in 1810 made profit of Rds. 724,380, increased from previous year as much as Rds. 163,665.¹¹

Table 1.
The yield of revenue farming in Batavia and Banten in term of paper money during Daendels' Administration, 1807-1811 (in Spanish rix dollars/*Rijksdaalders*)

Revenue Farms	1807	1808	1809	1810	1811
Export and Import duty	33,000	37,800	21,000	17,300	22,200
Import of Western cotton	7,300	6,700	5,200	1,670	3,800
The vegetables stalls and shops	4,500	4,800	4,600	4,500	4,500
The poll-tax of Chinese	1,850	1,900	1,800	1,670	1,690
The slaughtering cattle	850	900	1,040	1,240	1,540
The slaughtering hogs, goats, and sheep	1,450	1,72	1,58	1,56	1,530
The cutting of Chinese tobacco	850	1,850	1,040	800	1,230
The wax candle	300	300	300	320	290
The rice market and rice export	230	220	230	240	230
The inns inside and outside city	480	550	510	420	370
The cockfighting	190	220	210	320	430
The Chinese gambling	6,300	7,800	6,900	8,350	12,000
The fish-market	4,600	6,500	5,900	5,800	7,520
The weighing-house	2,200	2,700	2,050	1,950	1,740
The wayang performance	1,600	1,770	1,670	1,630	1,650
The trade on the ships and vessels	400	400	410	350	310
The export of sugar	-	-	-	-	900
The Banten farms (<i>Bantamsche pagten</i>)	-	-	2,922.32	4,000	4,000
Export-import and sale of opium	-	-	26,600	22,000	30,600
Total monthly	73,000	84,630	83,962.32	74,120	96,530
Total a year	876,000	1,015,560	1,007,552	889,440	1,158,360

Source: Daendels 1814, *Bijlagen II*, table no. 42. *Verpactingen*

The complete report of the financial contribution of the revenue farming that covered the whole Daendels' period was revealed only to the case of Batavia, including Banten area. Table 1 shows the government's revenue from nineteen kinds of revenue farming during the period 1807-1811. Thanks to the improved rules and tightened control that Daendels introduced since his arrival in Java, during the period 1807-1811 the revenue farming lured the government's coffer a total revenue of Rds. 4,946,912. This means, on average it contributed Rds. 989,382.4 annually or about Rds. 82,448.46 monthly of paper money or credit.

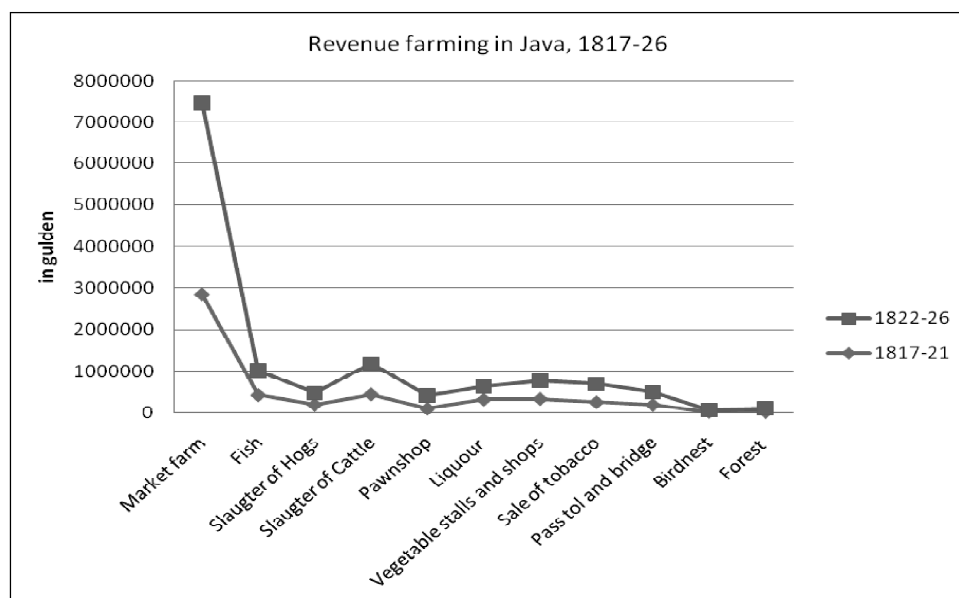
From Table 1 we can also see that export and import duty and opium farms since 1809 constantly emerged as the two biggest contributors, which followed by import western cotton and Chinese gambling farms. Indeed, these were 'traditional' sources of revenue in the region since the VOC period. Opium in particular, according to a recent study, had actually been more important source of income of the company contributing much more percentage of revenue from what has been estimated by older literatures.¹ By the end of 18th century, the opium sale in Java grew rapidly as it became a more luxurious product. This had to do with a new pattern of consumption that was invented in this region. One important innovation was the appearance of a new method of smoking opium that dispensed with tobacco altogether. According to Trocki, this practice and the technology that went with it seem to have been purely Chinese innovations from which the Javanese had learned (Trocki, 1999:35-36).

During Raffles' administration, the state could not afford to cancel this highly profitable commodity and business. While revenue farming, land rent, and forced coffee delivery were set as main revenue method; the government yielded continuously considerable revenue from opium sale. This can be inferred from the value of import of opium that increased under Raffles' years to Rds. 73,250 per year from Rds. 54,000 per year during the previous period of 1806-1811. Although, by restricting the distribution of opium Raffles succeeded in reducing the consumption rate per person in Java from 1/84 pounds in 1805 to 1/

133 pounds on the last year of his period, but now more population in wider area consuming it as addicted habit (Baud, 1881:158-60).² Unfortunately, statistical data on the performance of revenue farming during Raffles is lacking, which gives impression its inferior place within Raffles' fiscal policy.

With the availability of statistical data scholars can put back into perspective the importance contribution of revenue farming to the state finance, after the publication of financial reports of the colony by the restored Dutch government since 1816. F.W. Diehl, for example, presents the first quantitative estimate of the revenue farming in the Netherlands Indie. Combining statistics from official reports, Diehl calculates that from 1816-1825 revenue farming from all area under Dutch possessions collected 27.6 million gulden; half of it or about 14.8 million gulden was accrued from opium farm, while the rest of 12.8 million was gained from other tax farms. In total, revenue farming in this period contributed 15.3 percent to the total revenue collected in the Netherlands Indies. The following decade of 1826-1835, the contribution of the revenue farming almost doubled to collect a sum of 51.3 million gulden or 19.3 percent of total revenue of the government. About 61 percent of it was yielded from opium farm (31.3 million gulden), and the rest 20 million was from the other smaller farms (Diehl, 1993:199).

Yet, this 'national scale' calculation of revenue farming financial performance does not provide detail information on the composition of revenue farming contribution, particularly from those 'small tax farms' or *kleine verpachtingen*. In fact, according to De Waal, former director of colonial finance of Java, those small farms had no less important influence on the daily life of indigenous people compare to opium farm, and often also become source of income for local authorities. He presented a set of quantitative data on the small tax farms' financial contribution to the government income during the period under study, from which a first impression of the importance of these small farms can be also inferred. Figure 1 presents financial contribution of several small farms from 1817 until 1826.



Source: E. de Waal, vol. III & IV (1865).

Figure 1. The financial contribution of the small revenue farms in Java, 1817-26

The figure clearly shows that market farm (*passarpacht*) collected much more revenue compare to other small farms. In the first five years of 1817-1821, market farm collected 2.8 million gulden of revenue from all over Java, and increased almost double in the second five years to collect a sum of 4.9 million gulden. In a very critical article, L. Vitalis explains why this farm became so profitable for the government and Chinese tax-farmers. He said that all had to do with its exploitative nature in accruing tax from the Javanese. He firmly calls this farm as *de zwaarste en de kwellendste*, the heaviest and most abusive farms since 1821, which continuously misused illegally by the *pachters*. They taxed peasants wishing to sell their stuff at nearby markets a transit tax, tax of raw materials for industry, and tax of the products, either in cash or in kind. The tax farmers in the end often extracted up to six times the rate permitted by the government. In the long run, this farm impeded local trade and affected further the activities of small industry and craft. But, it was only in 1850s the market farm was abolished after it sparks series of discontent and unrest among the Javanese (Vitalis, 1851:364-67; Diehl, 1993:220).

To sum up, it can be argued here that revenue farming and opium farm in particular had given important contribution to the state finance during the first three decades of the 19th century. It was reasonable that the government in the following period retained this system until the end of the 19th century. The consecutive regime had used the system to create financial basis to finance their political reforms. If historians agree that the reforms between 1808 and 1826 were successful in establishing a centralized state in Java, which built on a more 'modern' bureaucracy that embraced local indigenous elite, credit then should be given to the revenue farming as part of fiscal system during these three decades of transitional period. The fact that this newly emerging administration was quite successful in increasing its tax income means that revenue farming had helped the colonial state in strengthening its control over Java, which was projected as a *wingewest*, area of exploitation, for the mother country.

The success of this state formation process, however, was achieved on the expense of some adversities. The increase of taxation via revenue farming system had burdened the population to

a degree that it hampered their economic activities, such as in the case of market and opium farms. Furthermore, this fiscal achievement had poorly allocated for productive long-term investments, while the cost of new bureaucracy was exhaustive. As a result, the state expenditure grew faster than its income and put the state into financial deficit. Although, larger part of the deficit was caused by the decline of the tropical products on European markets after the Napoleonic period, but domestic economic performance was also increasingly less competitive particularly against the invasion of British products, cotton in particular. But, the ultimate cause of the deficit and the demise of liberal economic policies during the period under study was the Java War of 1825-1830 (Van Zanden & Daan Mark, 2012:43-44). The war destroyed the state achievements of liberal policies that paved the way to create a 'modern' state in Java. Ironically, revenue farming that was formerly crucial to the state formation now become one of the underlying causes of the war.

CONCLUSION

As the literature dubs the first three decades of the 19th century Java as a period of 'revolutionary', 'transitional', or 'the years of uncertainties'; when many institutions, experienced a sequence of breakdown, reconstruction, habituation, and consolidation, this paper has shown that not all institutions in Java experienced such sequences. Revenue farming system emerged as one of the most resilient institutions that survived the regime changes and stood as part of fiscal policies under changing political economic orders. This is not to say that revenue farming as an economic and also political institution did not change at all during the period. The colonial government made several changes in the administration of revenue farming to adjust it to a new political economic environment. Yet, in essence as concept and practice the government of different regimes and ideologies retained it. Its continuity, in fact, became one of the underlying bases that connected four different regimes: the Company System, the

Franco-Dutch, the British-interregnum, and finally the Dutch colonial state as an integral and inseparable period, instead of rigid periodization. So, tax-farming system can be regarded as a bridging institution, which integrated the colonial fiscal system during the transitional periods of early colonial state formation in Java from 1880s-1820s.

As fiscal institution, revenue farming together with other fiscal institutions had been crucial in providing this infant colonial state a financial basis for its growing ambitions and its political economic reform agendas. Although, data on total revenue of the colonial government in the period of concern was lacking, it can be argued that revenue farming contributed the largest share of public revenue. Politically, the transitional colonial government deployed revenue farming as a solution for the problem of human resource shortage and the limited administrative infrastructure in firming and extending control over local source and population. The more this system gave financial contribution, the deeper legitimacy the state gained upon its subjects, and the stronger its power became in the end.

The fact that the system went to the hand of the elite of Chinese migrants, who were politically weak might represent not only the arbitrary nature of the system, but also the pragmatist approach of the colonial state in taking benefit, with minimum risks, from the available sources. By retaining the revenue system, the Dutch managed to finance the crucial pace of their imperial agenda in Java. In the long run, the operation of revenue farming in Java established a unique socio-political construction known in the literature as "Sino-European co-colonization" (Blussé 1988:52).

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- 1 The term institution here ranges from specific characteristics of government institutions, to the more overarching structures of state, to the nation's normative social order (Thelen and Steinmo 1992: 2-4).
- 2 Spanish rix-dollar is valued at 2.5 guilders or 50 *stuivers*. See Van Niel (2005: Appendix 2) and <http://www.coins.nd.edu/ColCoin/ColCoinIntros/Rix-Dollar.intro.html>.
- 3 Daendels reported that there were only 7000 military members. They were the Moor, the Chinese, and the troops of regents, who were not qualified as military officer. He calculated that the real troops were no more than 3600 head, and 2000 of them were organized in Batavia. Most of soldiers, artillerists, and cavaliers were Javanese and Madurese. Meanwhile, in the Moluccas islands there were only around two thousand men. Moreover, the artillery, the engineers' corps, the warehouses, hospitals, and other military facilities were also in bad condition (Daendels 1814: 12).
- 4 The most significant breakthrough of Daendels' administrative reform was perhaps in the compensation method of Europeans and Local administrators. Daendels introduced salary payment to replace the system of compensation through gift, extortions, percentages, and privileged position. Daendels also forbade European and Regents, now become civil servants, to continue old practice of using *corvée* labor for their private interests; instead he suggested them to hire free labor. On August 1808, for example, Daendels decided that annual salary of the Resident of Pekalongan was at 12,000 silver Rds.). (Van Niel 2005: 88).
- 5 *Bataviasche Koloniale Courant*, 14 December 1810.
- 6 *Bataviasche Koloniale Courant*, 21 September 1810
- 7 The juridical basis of the land rent was the claim that the colonial government, being the successor of feudal sovereigns such as the sultans of Mataram, was the owner of all land. All peasants therefore could be considered to

be leasers of the land, for which they were obliged to pay a certain amount of money equal to perhaps as much as one-quarter to half of its yield, dependent on the quality of the land (Bastin 1954: 146-50).

- 8 *Java Government Gazette*, 6 March 1813.
- 9 *Java Government Gazette*, 24 April 1813.
- 10 The Commissioners were Godert Alexander Gerard Philip baron van der Capellen (1778-1848), Rear Admiral Arnold Adriaan Buyskes (1771-1838), and Meester Cornelis Theodorus Elout (1767-1841) (Van Niel 2005: 289-90).
- 11 *Bataviasche Koloniale Courant*, 19 January 1811.
- 12 In his current study, Souza for example proves that more than 62% of the VOC income from 1702-1796 was gained from trade, while more than half of the revenue trade or about 52% was resulted from the sale of opium (Souza 2009: 129-30).
- 13 It should be bear in mind, however, although officially Raffles recognized the paper currency issued by Daendels, the value had fallen, i.e Rds. 6½ to one Spanish rix dollar silver, and *Rijksdaalder* was fixed at 64 *stuivers* (Van Niel 2005: 232).

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