CHAPTER TWO

PRELUDE TO RAPID EXPANSION (1800–1884)

Private entrepreneurial activity was initially viewed with suspicion by the colonial government and therefore not encouraged. In the eyes of the administration private entrepreneurs were adventurers and fortune-hunters and their presence could not contribute to a profitable development of the colony. Directing the flow of money into the state coffers had absolute priority. As a result, it would take until the demise of the Cultivation System (1830–1870) before private trading business could really take off.

Though facing serious obstacles private entrepreneurship managed to persist. At first, British traders and planters played an important role. Their dominant economic position slowly declined after the advent of economic institutional progress. The establishment of the Nederlandsche Handel-Maatschappij (NHM) and De Javasche Bank (DJB) in the 1820s was crucial in this respect. Both institutions became a major lifeline of the economy. Chinese private commercial activity was just as indispensable by brokering between the different segments of colonial society.

The Colonial State and the Economy

The colonial state in Java came into being after the dissolution of the Vereenigde Oost-Indische Compagnie (VOC) on 31 December 1799. Established in 1602 in order to participate in the lucrative trade in Asian spices, the VOC managed to assert itself in a bustling commercial environment (De Houtman 1603; Van Leur 1955; Vogel 1992: 168–179). Aided by growing political influence the company developed into “a precocious multinational corporation with features of an Asian state.” (Dick et al. 2002: 44).¹ The company concentrated its vast resources on

¹ The literature regarding the history of the VOC is overwhelming, making it difficult to give an accurate overview. A good start are the standard publication of Gaastra (1991), Jonker and Suyterman (2000), and Jacobs (2002). Jacobs (2000) extensively covers the Asian trade of the VOC in the eighteenth century.
maritime trade throughout Asia with the primary goal of maximizing profits. A strong sense of purpose and the efficient methods employed to this end paid off as the VOC turned out to be very successful. Business encouraged the company’s territorial ambitions, as it responded to the need of protecting its trading objectives and possessions. Still, financial considerations kept these territorial ambitions in check.

The VOC organization had a high level of centralization. The company was headed in Asia by the Gouverneur-Generaal (Governor-General or GG) whose orders emanated from Batavia, located on Java's northwest coast. The company’s influence spread from there, although its territorial sway within the Indonesian archipelago remained limited to Java and the Moluccas (Abeyasekere 1987: 3–47; Dick et al. 2002: 44). The VOC empire went into decline in the second half of the eighteenth century. Following the Fourth Anglo-Dutch War (1780–1784) which crippled the company’s business and nearly bankrupted it, financial difficulties proved insurmountable. Despite reorganization attempts the VOC became insolvent and on 1 March 1796 the administration of its possessions was handed over to a government committee. A few years later the VOC was formally dissolved (Somers 2005: 81–87).

With the demise of the VOC the Dutch role in Asia contracted to exploiting the economic resources of Java and the company’s complex trading system was replaced by a dominant trading link with the Netherlands. However, changing the VOC-style administration into a modern, rational bureaucracy took much time and effort. The new Dutch colonial state inherited an eighteenth century administrative and political structure characterized by corruption, factionalism, and

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2 A discussion of the downfall of the VOC and the possible causes can be found in Jacobs (2000: 15–17) and Mack (2001: 41–46). Dillo (1992) discusses the final period (1783–1795) of the VOC’s existence at length.

3 At this point the company’s debt totalled ƒ134,701,868. With shareholders being offered a compensation of ƒ6,440,000 the total amount would ultimately reach ƒ141,141,993 (De Bree 1928–1930: II 53).

4 To what extent the administration of the Dutch Republic and/or Kingdom can be characterized as ‘modern’ is questionable. Whereas the Republic’s economy has been characterized as ‘modern’ the administration was only partly centralised after the Napoleonic reforms. It would take the better half of the nineteenth century before the Dutch state had overcome the so-called institutional impotence of the Republic (De Vries and Van der Woude 1995: 789–806; Van Zanden 1987: 116–123).