CHAPTER 3

Reflections on Boeke’s Theory of Dualistic Economies*

MOHAMMAD SADLI

Reviewing Professor Boeke’s conceptions on the highly controversial subject of “dualistic economies” is a somewhat slippery engagement, for Boeke used to blame his opponents for misinterpreting and mispresenting 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 by not trying to condense the exposition too much, for condensation often leads to a biased representation. On the other hand, Boeke’s “dualistic theory” is perhaps not free from inconsistencies. This opinion is shared by Professor Higgins.1 These inconsistencies have perhaps contributed much to the so-called misinterpretations.

Exposition of the Theory

What is 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 a blending of them.” 2 The emphasis here

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is on the clash between an imported and an indigenous social system of divergent character. The clashing societies have quite different value systems as well as other characteristics, which are dissimilar.

Boeke asserts, then, that “every social system has its own economic theory. A social economic theory is always the theory of a special social system. ... Therefore the economic theory of a dualistic, heterogeneous society is 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 summarily social economic theory, and the economic theory of the interactions of two distinct social systems within the borders of one society, which might be called dualistic economics.”

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 subject lives; (c) many-sided corporative organizations, on which the individuals base their economic activity. These fundamental principles are inextricably intertwined.” Boeke further describes the system of values under capitalism as one that “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 corporations.”

On the other side is the precapitalistic village society “with

3 Ibid., pp. 4–5.
4 Ibid., p. 10.
5 Ibid., p. 13.
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, of 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."

This clash between the two societies (or economies) 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." This apparent permanence, if real, 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 no 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 this is to be accomplished, 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.'"

Why does Boeke think that this dualistic disequilibrium situa-

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tion will last? In the West, capitalism has also conquered a primitive and traditional realm. In the West, the mentality which prevailed in the urban centers penetrated 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 its watchword, 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." ⁹

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 development was a "process of endogenic social progression; of evolution, [and] ultimately homogeneity will appear because one system, be it a mixture [of declining precapitalism and emerging young capitalism] penetrates through all the strata of society." ¹⁰

In a dual society, on the other hand, one of the two prevailing social

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¹⁰ Ibid., p. 3. The italics and brackets are mine.
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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 not 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.\(^{11}\)

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 identify the reasons Boeke gave for it. He was not very explicit and elaborate about this matter, but we have inferred the following from his writings, which we have also quoted 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 the one 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 factor proportions in use are not always a reflection of factor proportions available. There is a sharp cleavage between the two economies. These are the "technical and economic reasons for dualism."\(^{12}\)

Third, is perhaps that the precapitalistic society in the East, rooted in the villages, was not able or did not want to adapt (for some reason) to 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."\(^{13}\) This third possibility is conceivably


\(^{12}\) Higgins, *op. cit.*, pp. 112-113.

\(^{13}\) Boeke, "Oriental Economics," p. 2; italics mine.
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 the highly crucial question of whether dualism is really an unavoidable and permanent phenomenon. But first it is necessary to examine what the products of interaction 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 precapitalistic society fails to adapt fruitfully; instead it disintegrates and degenerates, its members becoming more and more the 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 ethic of having many children. This ethic was perhaps well suited to the previously agricultural society where, with plenty of land available, every hand was productive, and therefore welcomed; furthermore, families needed to have many children in the face of the high death rate. But presently, every temporary surplus is soon dissipated by the lowering of the death rate and the consequent 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 abortion today is practiced universally in that part of the world.”

Rural indebtedness is the result of the incapability of the precapitalistic 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 toward making money and profit. Never-

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Nevertheless people are increasingly obliged to incur money expenditures, 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.¹⁵

The farmer thus becomes increasingly dependent upon the exchange market. At harvest time, he sells an increasing amount of his crop at low prices and has to buy part of it back during patjeklik (meager period before next harvest) at much higher prices. At the time of sowing and planting he also needs money to buy the seeds, perhaps also to pay 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 a village community is dedicated to this "social consumption," which is very inelastic to income fluctuation.

All this is good breeding ground for the moneylender—a very familiar character in Eastern villages. But the moneylender is generally not regarded as an usurer at all. Surely he is not a philanthropist either, but his 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.), are not adequately available to handle the demand for credit. Eco-

¹⁵ Ibid., p. 58.
onomically 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 forms another cause of high interest rate. In all, it is logical (and not specifically "Eastern") that interests are high. But this alone cannot fully explain the extent of rural indebtedness. The propensity to incur debt must have additional noneconomic causes; and Boeke is probably right in his assertion that the whole precapitalistic village atmosphere is not conducive to 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, only incidentally, a good means of exchange. If a farmer incurs a debt he soon forgets about the principle, and he only worries about his interest obligations. The moneylender seldom reminds him of this principle; perhaps this is why the lender is usually not regarded as an exploiter (although in times of crisis and bitterness the villagers sometimes come to murder him), for all that he stresses is the pay of the interest. We find this mentioned again in Arthur Goodfriend's recent manuscript when he describes the 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.'" 16 Meanwhile, an interest payment of 10 percent per month (more at times of inflation) is quite common for such advances.

The self-sufficient, precapitalistic village community has other values or propensities as well, which are of major importance for understanding Boeke's dualistic theory. Since production (on the farm) was regarded mainly for the provision of one's own wants (which are limited), outside labor, in town or on a plantation for instance, is never regarded as a permanent engagement. From the viewpoint of the farmers the income from outside labor is "marginal," just to acquire cash needed for paying taxes, buying kerosene, salt, textiles, etc. These additional expenses are limited; thus,

16 Arthur Goodfriend, "Fifth Trip to Asia," unpublished manuscript.
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 raise wages, the result is frequently absen-
teeism, gambling, drunkenness, etc. This phenomenon occurs also
in "contract coolie" communities. Contract coolies are laborers
contracted from Java to work (full time) on plantations in North
Sumatra. This paid labor is for them not a marginal occupation.
Modern sociologists, therefore, would hesitate to present a single
cause of explanation for this phenomenon. Barry Moore (in
"Western Impact on Indian Society") remarks on this respect:
"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 abun-
dant supply of labor, or to the fact that the work itself may 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."

Whether peculiar social values are the cause of backward-bend-
ing supply curves or not, one can point to economic reasons which,
at times and places, have produced the same phenomenon. For
instance, a rise in wages may not be matched by an appropriate
increase in spending opportunities. Many Western-owned planta-
tions are situated in remote parts of the countries. The supply
of goods (which are income elastic) may be fixed by difficulties in
transportation, purchasing, etc. Therefore, a rise in wages may
temporarily mean nothing for the laborer 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 where the
marginal utility of the extra money is very low, 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 in-
ocent kinds of recreation industries are lacking.
On the other hand, the backward-bending supply curve of labor in a South American country is nicely neutralized by the distribution of a Sears Roebuck catalog and the procurement of the listed articles. This opportunity increases the alternatives for spending. Demonstration effects operate and result in the jacking up of the level of wants.

It is, at this stage, perhaps appropriate to point to 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. These are all building stones for a spatial monopoly held by the wholesale buyer of agricultural crops and by the distributor of imported commodities. In many Asian countries the two functions are embodied in the same merchant. The Chinese middleman-storekeeper is a well-known example, combining the functions of buying farm products, distributing necessities, and 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 these agents, thus preventing competition. At best, an oligopolistic situation exists, while the ethnicity of the storekeepers facilitates collusion vis-à-vis the atomistic farmers' group. This rural phenomenon of spatial monopoly is not restricted to the East; it is universal instead. Fifty years ago, the same situation of spatial monopoly existed in rural areas of the United States. The growth of the mail-order house 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 held by the (Chinese) storekeeper, chances are that the terms of trade for the farmers vis-à-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 avoiding the exchange econ-
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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 there is no true exchange. Because of the credit tie, the villager is compelled to sell his crop at prices fixed by the grocer and either take the articles in the store at their prices or leave them altogether; often he has no competing supplier. All this, incidentally, leads Hla Myint to observe that all that 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 ethnic minority groups over the farmers is one of the most important socioeconomic problems of these countries.

The spirit of the precapitalistic village community which emanates from a system of self-sufficiency, and consequently limited wants and profit motives, is hardly conducive to social solutions 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 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.”

Such are the intrinsic characteristics 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 of 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."  

Poverty and Its Relief

Boeke's diagnosis finds its climax in the therapy. The patient is incurably sick. All one can do is reduce the pain; if recovery 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.  

18 Ibid., p. 18.
19 Ibid., p. 68; italics mine.
The Evaluation of the Theory

It cannot be denied that Boeke's descriptions of the Eastern (or perhaps only the Javanese) village are in many instances true. Boeke knows a lot about the Javanese village life in the colonial period.

His desire to establish a special economic theory in explanation of these dual societies is perhaps valid, although many economists will deny this. It all depends upon how one understands economic theory. Any society, whatever it may be, 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? 20

In a primitive society, custom may rule every facet of behavior. 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, in 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 (which in practice perhaps never will occur). But what Boeke is interested in is the economic theory of a dualistic society, that is, of the clashing societies. Perhaps there can be room for a separate economic theory for such a community (explaining the mechanics of an equilibrium system), 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. Perhaps Boeke was seeking too much. All he did essentially was to explain supply and demand behavior, e.g., the backward-bending supply curve for labor and the inelastic demand curves of people with "limited wants." Boeke explained much about the social

impact of a high capitalistic system upon a precapitalistic society, but this can hardly be called a separate economic theory.

Perhaps Higgins is essentially right when he maintains that the conventional economic analysis can adequately explain 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 these social characteristics; but once the proper curvature of the supply and demand schedules are established, conventional supply and demand analysis can adequately arrive at the equilibrium solution. Indifference curves between work (effort) and leisure may have a variety of shapes, and so also demand curves in relation to income and price changes. If the development of a specific consumption and demand theory for these dual societies is all that Boeke intended 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. He probably could not develop a dynamic theory, since he believes in the permanency of dualism.

Wants are limited in a precapitalistic society, according to Boeke, and this is the cause of most failures in 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. Boeke himself admits that the wants of the natives can be increased by government action. But he condemns such action because it “accentuates his [the native’s] economic wants without being able to procure for him the means.” 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) may be pushed back to a region where it usually lies in conventional analysis.

What about the Malthusian phenomenon? This can spoil every improvement in living standards, as each increase in productive effort is soon dissipated by 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 (complemented by adequate entrepreneurial and technical skills) lags 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 Boeke's dualistic theory is the claim that this clash is permanent; at least there is no prospect for direct relief. This presumption is strategic in Boeke's theory because it leads to his conclusion that the Gandhistic 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 affairs (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 Indonesians revolt against this prescription. Boeke is not very convincing. The logical chain which leads to a clash between the precapitalistic society and the imported high capitalistic society on the one hand, and the permanent character which he attributes to this clash on the other hand, are not very clear and convincing. As mentioned earlier, Boeke listed three (possible) causes: (1) because the capitalistic society is imported, (2) because the imported capitalistic system is of high capitalistic structure, and (3) because of the receiving, precapitalistic society is unable or unwilling to adapt, and is too 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 would be for this process. We want to advocate this approach as being more significant than Boeke's approach of just staring at the clash. ("Dualistic theory is no more and no less than this clashing of the two communities," he once wrote in a letter).
The Process and Problems of Adaptation
of Eastern Underdeveloped Countries

It is definitely not my purpose 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) factors and negative (deterring) factors in the process of adaptation and acculturation?

First, there is the attitude of the "receiving" culture. Does it want or does it not want to acculturate? The appreciation of the receiving society for 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 certain that some 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 would find appeal.

The above are very general qualifications. Of course there are other factors which influence the process of adaptation; social factors are important, but we will deal with them later. The above mentioned qualifications are presented in advance to serve as a rough check list.

But before we go any further, we want to ask ourselves what type of social change is likely to occur in the present-day, underdeveloped countries. This course of change 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 at present let us take for granted that all the efforts of Asian and other poor countries indicate that they want the above aims.

We assume that most of these underdeveloped countries start with a precapitalistic structure: small, self-sufficient production and consumption units. How is higher productivity to be achieved? Mainly in two ways: division of labor and roundabout (i.e., capitalistic) production methods. This entails specialization and a much larger output than the nation's own consumption potential. An exchange economy is thus required. An exchange economy stresses the importance of transport cost. Localization economies will give birth to towns, perhaps first as nodal points of exchange between agricultural areas and the outside world which provides 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 different industries in an urban center) will attract many 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, precapitalistic village structure must give way for exchange economy, for the integration of village communities into larger economic units, for 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 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 such that development will not occur until acculturation has been completed. There are theorists who claim that until rational behavior is completely adopted by all layers of an Eastern society, modernization will only retain a thin finish, not capable of further self-perpetuation or self-generation. These theorists used to point to the Japanese development as an example (or prediction?) of unstable modernization because the Japanese did not adopt 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 mixed a highly modern business life with a more backward rural life, a feudal pattern of social life, and even this mixture seems to facilitate rapid economic development.

It seems that life to some extent can be compartmentalized. Arthur Goodfriend tells about the Indonesian doctor who is a highly skilled physician, in the modern sense, but still believes in the apparently 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 businessman 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 be the same in all compartments of social life. The approach for the rural sector must be different than for the urban sector. The urban sector must perhaps necessarily be the most “modern” sector of life. We will come back to this point shortly.

From the experience of countries such as Japan, Soviet Russia, Turkey, and others, we can probably adduce that social develop-
ment 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 are (in the beginning) static and traditional in their outlook. It need not 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 are 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 certainly exists), but in the society the spirit of “follow-the-leader” can be strong enough to stipulate the direction of the movement without force at all. The leading elite is here a so-called “reference group,” and the sources of its authority can be various: it can stem from a long tradition of authority (the emperor in Japan, etc.), or it may result from a new ruling elite, who have replaced the old ruling class or estate by conquest, revolution, or otherwise. In this case, the loyalty of the masses is transferred automatically (because people are used to obedience). The Communist party in Soviet Russia and the colonial regimes in the East are perhaps good examples of this type of social stratification.

But why did Indonesia, India, Burma, etc., not develop socially (and economically) under colonial administrations? If we interpret this question only in its aspect of acculturation, we could probably use the check list mentioned in the beginning of this section, namely, attitudes, scope of contact, and nature of contact.
The attitudes of the natives and their imperial masters alike were perhaps not favorable. The intruding foreigners were not liked. It was very doubtful that the colonizers wanted the natives to be emancipated. Virtually no opportunity was given for the indigenous population to have a responsible share in the modern administration and economy. General education in the modern sense was not encouraged. Contact with the Western world was also very limited. Only a handful of Europeans were in the country, and they lived isolated in their own sphere. They kept their social distance because of a sense of superiority, and also as a part of their colonial policy. The Dutch with their containment policy deliberately kept the indigenous structure "intact" as much as possible, whereas the British imposed their common law upon the indigenous social structure which naturally did not foster acculturation. There has been some acculturation among the higher social classes (which had closer dealings with the foreign rulers as subrulers), but because of rather rigid class or estate distinctions there was very little diffusion down below.

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). This is why most of the present-day national leaders in many of these Asian countries come from this same social class. But besides 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 specimens, at least in the cultural sense, of the Western culture, although they may not have lacked the spirit of profit-seeking. 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 case 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 a blessing
for this dualistic society. Says Boeke: "the Government has not shown itself a willing instrument of capitalistic interests 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." 21

Furnivall,22 on the other hand, has another explanation of social stratification in which colonialism is certainly a cause. He does not think in terms of dualism and the clash of a precapitalistic 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 among themselves; 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 a 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 those prevalent in international trade. One economist once put the difference between national and international trade like this: national trade is trade among 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 an 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. In plural societies the capitalistic class is more "rucksichtlos." The European or the Chinese in Indonesia is less restrained in exploiting the economically weaker indigenous population, because interracial moral restraint is often less severe, and

also because alien groups (e.g., the Chinese and Arabs in Indonesia), having no social responsibilities whatsoever in their pursuit of gain and profit (as long as they stay within the law), stand between the indigenous population and the colonial rulers. In these dependent countries there were no strong reference groups within the indigenous societies which could lead the process of adaptation. In Burma where such happened under King Mindon, it did not last long; it was soon crushed by the British.

Boeke would perhaps strongly object to 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 is unmistakably farther advanced than in Java, even though the Japanese farmer is still poor and still has to submit part of his harvest to landlords, government, and moneylenders. These are perhaps remnants of dualism, but it has also something to do with the development policy of the government (or the ruling class). 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 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 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 bet-
ter 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. These circular relationships 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 once 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 custom." There is a high correlation coefficient between urbanization and literacy, the use of mass media, impersonal relationships (contracts, etc.), the breaking up of extended family ties, rational behavior, 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 are too dispersed, too rural, to convey a new spirit of modernization to the masses. And in the terms which Higgins used, the "population multiplier" was too small.

Seen from this standpoint, the craving of many underdeveloped countries for industrialization (complete with a steel mill!), for its own sake almost, comes into another light. Western economists are quick to condemn this and on good economic grounds. (Incidentally, a steel mill is now more of 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 industrializa-
tion, and consequently urbanization, can create the required propensities, at least the development of the required human factors can be fostered. And 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 can 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 doing!"

This advice is most likely also politically colored, but since it comes from a source which has 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 by the colonial government and by the national government as well as serving as the base of a protectionist policy domestically. The farmer must be protected from expropriation of his land, indebtedness, and usury; the laborer from exploitation; the indigenous newcomer-businessman from murdering foreign competition. This kind of public policy is strongly recommended by Boeke himself, and one can read his public policy recommendations, 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 as if Boeke himself wanted some of this social rehabilitation. One of the policies he stresses is 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 into (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 of integrating 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 respectable) excuse for perpetuating colonial policy in the then Netherlands Indies. Social science cannot, as yet, prevent the wish from sometimes being the father of the thought.