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The Making of a Periphery: A Response

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ABSTRACT: This rejoinder is part of the round table discussion on the book *The Making of a Periphery: How Island Southeast Asia Became a Mass Exporter of Labor*. It pays tribute to the development economist and Nobel Prize winner Arthur W. Lewis, who studied the predicaments of plantation societies. The rejoinder addresses critical observations made about the above-mentioned book by Elise van Nederveen Meerkerk, Pim de Zwart, Corey Ross, and Alberto Alonso-Fradejas. It underscores the importance of the role of demography and long histories of labour coercion to explain processes of peripheralization and mass emigration. It also points out the limits of classical development economics, namely a relative neglect of the ecological damage attending plantation exploitation. The commodity frontier approach is suggested as a way to address this shortcoming.

I am grateful to the editors of the *International Review of Social History* for having organized a roundtable on the subject of how Island Southeast Asia became a periphery. I was keen to know how my colleagues would position my book in current debates on global inequalities. I am very pleased with their response and thank them for the perspectives they have offered, for the way in which they related my book to their own research, and for their wonderful comments that pointed to both shortcomings and strengths in my book.

Van Nederveen Meerkerk poses an important question, namely, “How unique is Island Southeast Asia?”. Indeed, many of the predicaments of this part of the world have been shared with other parts of the world, particularly the Caribbean and West Africa. These include extensive patterns of forced

recruitment and coerced labour to produce commodities for the industrialized world. We need a general perspective on these processes, also to understand – as Van Nederveen Meerkerk points out – which modes of cash crop production can enhance farmers' income in the Global South instead of engendering impoverishment. With regard to these questions, history can crucially contribute to development economics.

Initially, I wanted to give my book the title “Revisiting the Periphery”, to express my intention to base the work on the classic literature on peripheralization. Raúl Prebisch should be mentioned here, of course, but for me the Nobel Prize winner and economist Arthur W. Lewis has been a particular source of inspiration. Born on the West Indies' island of St. Lucia, Lewis gained worldwide recognition as a leading development economist for his thesis of the unlimited supplies of labour, which he launched in 1954. Lewis had studied poverty in the Caribbean part of the British Empire extensively, and, for me, his theory lucidly explained why a highly productive sector such as the tropical cane sugar industry could still pay its workers so poorly. Let me quote Lewis here:

Nevertheless workers in the sugar industry continue to walk barefooted and to live in shacks, while workers in wheat enjoy among the highest living standards in the world. The reason is that wages in the sugar industry are related to the fact that the subsistence sectors of tropical economies are able to release however many workers the sugar industry may want, at wages which are low, because tropical food production per head is low.¹

The legacy of plantation societies with their abundance of labour, low productivity of food agriculture, and minimal industrial activity was among the most urgent concerns of the mid-twentieth-century generation of scholars who laid the foundations of development economics with a substantial social historical component – a strength lost over the past decades. Newly decolonized countries or countries on a path to independence were struggling with rapid demographic growth and huge rural underemployment. Colonial plantation conglomerates had never considered this a problem, for the obvious reason that they regarded labour abundance as an absolute necessity to remain competitive in the world market.

I think economic-social historians can still draw inspiration from revisiting this early generation of development economists, who did include demography, slavery, and labour coercion in their analysis to explain the predicament of a large number of decolonizing countries. While many aspects in my book deserve further debate and examination, I hope that its emphasis on the role of forced labour and demography in processes of peripheralization and on the reversal of fortune will resonate. I absolutely agree with Pim de Zwart that

1. W. Arthur Lewis, “Economic Development with Unlimited Supplies of Labour”, *Manchester School of Economic and Social Studies*, 22 (1954), pp. 139–191.

there are plenty of puzzles to be solved regarding the relationship between forced labour systems and natality, and we may never find out how much smallpox vaccination contributed exactly to the remarkably high population growth in Luzon and Java. But, for me, as I indicate on p. 43 of my book, it reflects a unique combination of increased living standards, improved health conditions, enhanced safety, and economic incentives. High demographic growth and plantation production are linked in a two-directional way. This relationship can include natural demographic growth but also growth through immigration, as Pim de Zwart shows in the case of the tea slopes of Java's Priangan.

Pim de Zwart broaches the question of industrialization, which was also a key question in the pioneering years of development economics. The question of how to create and diversify employment in plantation societies was a matter that concerned Lewis as well as another Nobel Prize winner, James Meade. The latter used the word "Malthusian" to describe the situation in the monocrop sugar producer Mauritius in the early 1960s.² Both Lewis and Meade noted that, surrounded by the walls of the protected British Commonwealth market, the British plantation colonies were not among the poorest in the world and that late industrializers were in a disadvantaged position in the global economy. Malaysia and Mauritius were relatively late industrializers, but they were still successful. It is important to note, however, that both were technically rather advanced societies already before World War II, and that these two countries received a fair price for their commodities, which allowed them to invest heavily in education. Both had excellent access to capital and technology.³ Other countries were less fortunate, and so were the workers in the garment factories in economic enclaves in the Philippines or the domestic workers sent out by this country and Indonesia.

I fully agree with Williamson's argument so convincingly visualized in Pim de Zwart's comment that industrial nations have higher rates of economic growth than non-industrializing countries. However, my point is that we should not assume that exporting commodities is always a losing strategy and industrialization invariably a winning strategy. For individual countries, specific circumstances and timing define what the best course of action is, and often this can be assessed only in hindsight unfortunately. In the last chapter of my book, I described how the Philippines lost its window of opportunity to expand its relatively developed industry to absorb its rapidly growing labour force and capitalize on its relatively high educational attainment. In both cases, by "relatively" I mean within the Southeast Asian context. The

2. J.E. Meade, "Mauritius: A Case Study in Malthusian Economics", *The Economic Journal*, 71:283 (1961), pp. 521–534.

3. For Mauritius, see Tijo Salverda, "Sugar, Sea, and Power: How Franco-Mauritians Balance Continuity and Creeping Decline of Their Elite Position" (Ph.D., VU University Amsterdam, 2010).

Philippines was outcompeted by cheaper venues in the 1970s, whereas British Malaya could use its oligopolistic position as a tin exporter and rubber producer to increase its economic policy options. It upgraded, for example, its exports from simple rubber slabs to semi-finals. Fair prices for commodities can set countries on a path of sustained economic growth and open up the road to sectoral diversification. By contrast, severe distortions in international commodity markets engender enormous price volatility, which, according to Williamson, creates the disadvantaged position for commodity-exporting countries in comparison to industrial producers.⁴ This immense volatility is what Prebisch wanted to address by advocating international trade policies that would stabilize commodity markets. This was also his mission as the founding Secretary-General of the United Nations Conference on Trade and Development (UNCTAD).

Lewis's condemnation of plantation societies' systematic neglect of food agriculture resonated strongly with what I found for Java and the sugar belts of Luzon and Negros in the 1920s and 1930s, and later for the pineapple belt of Mindanao. The distorted rice market of colonial Indonesia was part of its political economy that favoured plantation exports in a highly competitive global commodity market for sugar. Cheap food was of utmost importance, as it was, too, in the West Indies plantations for that matter. Not only did Sumatra's Deli plantations massively import cheap rice from mainland Southeast Asia, even Java, once a rice exporter, purchased substantial quantities of rice from Burma, Thailand, and Indochina. I am not arguing that Java was largely dependent on rice imports – I agree with Elise van Nederveen Meerkerk that this was not the case – but my point is that these imports were substantial considering Java's relatively small rice market. The rice imports seriously distorted this market, which led to depressed paddy prices for farmers and were hence detrimental to rural income. I made this argument rather briefly in my book, but have elaborated this point in a recent article.⁵

In a plantation economy market forces do not permit a balance between food and cash-crop production. By contrast, smallholders have the freedom to switch from one crop to another, and grow both food and cash crops, an advantage they enjoy as long as they are not in the debt thralls of commodity-purchasing middlemen, of course. Plantations thrive through specialization and are not flexible; nor are they very efficient. Their workers need supervision and are less motivated than smallholders who toil their own homesteads. Plantations create highly unstable ecologies, as Corey Ross points out, by

4. Jeffrey Williamson, "Relative Factor Prices in the Periphery During the First Global Century: Any Lessons for Today?", *Australian Economic History Review*, 47:2 (2007), pp. 200–206, 202.

5. Ulbe Bosma, "The Integration of Food Markets and Increasing Government Intervention in Indonesia: 1815–1980s", in Jessica Dijkman and Bas van Leeuwen (eds), *An Economic History of Famine Resilience* (Abingdon, 2019), pp. 142–161, 151.

weeding practices, applying pesticides, and so on. Moreover, these unsustainable practices engender a cumulative process of ecological destruction. It is hard for plantations to compete with smallholders. This explains why, as several authors have pointed out, the colonial governments of British Malaya and Indonesia obstructed smallholder rubber cultivation.

Plantations can apparently survive only through coercion, land grabbing, and by externalizing ecological costs. While I elaborated on the aspects of labour coercion and land grabbing in my book, I paid little attention to the externalization of ecological costs, as Corey Ross and Alberto Alonso-Fradejas have rightfully pointed out. One might even observe that this is rather puzzling for an author who, in the preface of his book, cites his engagement with the Commodity Frontiers studies and thus is familiar with the work of Jason Moore and James Bellamy Forster.⁶ I think this is the consequence, and the limitation, of my endeavour to revisit the traditional studies on peripheralization. At the same time, and this is what both Alberto Fradejas and Corey Ross underline, the plantation is an excellent unit of analysis to integrate social and ecological perspectives and to write about unequal exchange in which hunger and environmental degradation have played such an alarming role.

Plantations are engines of inequality enforced upon societies by external agents. If labour is abundant, as Alberto Fradejas notes, plantations pay subsistence wages, relying on family labour for free. Unpaid family labour, or family income from other sources, would traditionally support wage-earning men and women under a time-rate wage system. If labour is scarce, plantations will resort to importing labour from impoverished areas. This is what the Deli plantations in East Sumatra did. Compared to agricultural wages in Java, wages in Deli seem to have been reasonable, as Van Nederveen Meerkerk points out. However, as Bambang Purwanto has shown in his extensively researched Ph.D. thesis, wages offered by rubber smallholders in Sumatra were much higher. His findings are corroborated by wage data published in the Colonial Report of 1920 and the government survey conducted by Henri Fievez de Malines van Ginkel in 1924. In quite a few Sumatra residencies, wages for unskilled agricultural labour could amount to eighty cents or even higher, against fifty-five cents for Deli at best.⁷ The massive labour

6. On my engagement with the Commodity Frontiers Initiative, see <https://wigh.wcfia.harvard.edu/commodity-frontiers-initiative>, and Sven Beckert *et al.*, “Commodity Frontiers and the Transformation of the Global Countryside: A Research Agenda”, *Journal of Global History*, forthcoming (2020).

7. Handelingen van de Tweede Kamer der Staten-Generaal, *Koloniaal Verslag 1920*, Bijlage GG, “IV. Overzicht, betreffende het gemiddeld bedrag van ambachts- en koelieloonen over 1015, 1916, 1917, 1918 en 1919”; [Henri Fievez de Malines van Ginkel], *Verslag van den Economischen Toestand der Inlandsche Bevolking*, Deel I, “Normaal Dagloon voor grondwerk en dergelijken door B.O.W.”, (Weltevreden, 1926), p. 219. Bambang Purwanto, *From Dusun to the Market: Native Rubber Cultivation in Southern Sumatra, 1890–1940* (London, 1992).

coercion legislated through penal sanction continued to exist until the 1930s in East Sumatra and served to bring wages down towards the Java level. In South Sumatra, the penal sanction was abolished in 1912, simply because it was not necessary for the southern tip of Sumatra, the Lampongs, which was separated from the poorest parts of Java by just a narrow sea lane and where wage levels converged with those of Java.

Where labour is in short supply commodity producers are tempted to save labour by ruthlessly destroying nature. Conversely, when nature is in short supply colonizers became precocious conservationists. At the same time that environmental protection had become part of government policy in resource-poor and densely populated Java, on another island the natural environment was being comprehensively demolished. Corey Ross has shown in one of his articles how gargantuan tin-extracting machines devastated, in fact sterilized, the topsoil of the Indonesian island of Bangka.⁸

In the same vein, excessive use of pesticides and the extensive burning of forests destroy nature and save labour. Obviously, in many places in today's Global South there is no need to save labour. Alberto Fradejas tells us that, in Guatemala, mechanized cane harvesting is not advancing, because labour is still ubiquitous and cane combines are expensive. And yet, it seems that the colonial metrics of factor costs have shifted in postcolonial times. The new postcolonial cash-crop frontiers have become less agrarian in character and behave rather as mining operations extracting energy: soybeans, palm oil, and ethanol. They provide less employment than in colonial times, and they prefer to employ fewer people against higher payment and who are hired for excessively long days under brutal conditions of injury, poisoning, and dehydration. Meanwhile, the labour extensive flex-crop cultivation exacerbates rather than alleviates underemployment, and if options for labour-intensive economic diversification are not available international migration is the only way out. This is what happened in the Philippines and Indonesia in the 1980s, when government-sponsored migration to their thinly populated islands proved to be ecologically and politically unsustainable (see pp. 164–165 of my book). In this post-Lewisian reality, the unlimited supplies of labour can no longer be absorbed by the colonial or postcolonial capitalist sector but flow into a globalized labour market.

Let me conclude by submitting that labour history as a field of study is not naturally inclined to take the socioecological perspective on board – probably because of its roots in industrial societies – but that as soon as it turns its gaze to tropical agriculture the advantage of the social-ecological perspective becomes clear. Then, the work of Arthur Lewis remains highly relevant and can bring nuance to Jason Moore's emphasis on capitalism looking for the

8. Corey Ross, "The Tin Frontier: Mining, Empire, and Environment in Southeast Asia, 1870s–1930s", *Environmental History*, 19:3 (2014), pp. 454–479.

“cheaps”, including cheap labour and cheap nature.⁹ Factor prices play a crucial role in how capitalism exploits the peripheral countrysides. It will depress wages below subsistence level if labour can be replaced cheaply, and, as long as nature is seemingly unlimited, it will be subjected to comprehensive destruction. A striking and prominent illustration of this point is provided by the trajectories of Java and Cuba. These two islands supplied over half of the world’s cane sugar by the late nineteenth and early twentieth centuries. The first island was labour abundant and coped with a scarcity of arable land, the second never had enough labour but was blessed with beautiful forests standing on fertile land. While Java’s people were undernourished, Cuba was deforested by the sugar industry at an incredibly high pace.¹⁰ The trajectories are each other’s mirror images, but at the same time deeply entwined, as are public health and environmental protection.

9. For a reflection on this factor pricing and the economics of the peripheries, see Jeffrey G. Williamson, “Land, Labor, and Globalization in the Third World, 1870–1940”, *The Journal of Economic History*, 62:1 (2002), pp. 55–85.

10. Reinaldo Funes Monzote, *From Rainforest to Cane Field in Cuba: An Environmental History since 1492* (Chapel Hill, NC, 2008).