

Accounting, Colonial Capitalists, and Liberal Order: The Case of Accounting History in Indonesia during the Dutch Colonial Period of the Mid-to-End of the 19th Century

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Abstract

The paper represents an attempt to understand the historical factors which have led to the development of accounting in the range of rationales and socio-political contexts in Indonesia during the Dutch colonial period of the middle to end of the nineteenth century. It is argued firstly that the nature of the Dutch radical change in capital and financial policies exaggerated the significant domination of the Dutch capital accumulation in Indonesia economy, thus establishing a power-base for strengthening colonial strategy and position in the Indonesian archipelago. Secondly, the adoption of a new capitalist banking system in Indonesia led to its impact on new modes of Dutch capital domination and expansion. Thirdly, the paper seeks to understand how the Dutch acquired dominance over Indonesians. Accounting as one many "disciplines" played a major role with its order (in terms of financial policies) in operating and controlling the Dutch colonial innovation in Indonesia.

Introduction

During the last two decades, there has been a growing awareness by accounting researchers of the need to place the development of accounting in its social context (eg., Burchell, et al [1980, 1985], Cooper and Sherer [1984], Hopwood [1978, 1987], Hoskin and Macve [1986, 1988], Loft [1986], Miller and O'Leary [1987], Arrington and Francis [1989] and Hopper and Macintosh [1992]). This paper shares the growing concern of these studies that the roles of accounting and its effects are not predetermined in a narrow way as technical and calculative thinkings, but assume a variety of contingent forms within specific settings. Knights and Collinson [1987] stated that when approaching accounting subject matters intellectually and analytically, it should be understood that accounting is not simply

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a set of neutral techniques but is part of broader social, political and economic processes.

One approach has been to re-examine the evolutionary processes through which the development of accounting has assumed its contemporary modern forms. A study by Miller [1990] using this "new" historical approach explored the broader meaning of accounting in its social context. His study revealed that a number of events were relevant to the significant understanding of accounting as social and organisational practices. The conspicuous emergence of different bodies of expert knowledge and practice, as well as political, journalistic and philosophical discourses have been a part of his important findings in understanding the contexts of accounting practices.

The approach of this paper, which follows the above latest development of analysis, is historical. It seeks to explore an understanding of accounting in the range of rationales and socio-political contexts. The paper focuses on the case of Indonesian history under the liberal order of Dutch colonialism from the middle to the end of the nineteenth century. It argues that during the period of radical change of the Dutch social and political administration, accounting policies were developed which supported its effect on the Dutch large capital domination and profit orientation in Indonesia. To explore its history and understanding of its power, the paper is written by adopting Michel Foucault's theory of "power and knowledge" relations. It argues that the Foucaultian "power and knowledge" analysis could provide a richer way of looking and understanding an aspect of the development of accounting in social and colonial-political contexts.

Michel Foucault, a French "archaeological-genealogical-historical" philosopher, is acknowledged as one of the great intellectuals of the post-World War II era. The major thrust of his work is concerned with the task of producing social analyses which are permeated by philosophical insight (Merquior, 1985). In particular, his major concern is related to two epistemological techniques: **Archaeology** and **Genealogy**, in analysing social phenomena. These techniques were used by Foucault as a basis of his series of critiques of social phenomena, including mental illness, sexuality, disciplinary power, archaeology of knowledge, asylums and prisons (Foucault, 1972, 1977a). Archaeological analysis is focused on the complex of rational discourse in analysing a social phenomena under investigation. Sukoharsono and Gaffikin (1993a) have given some insights into Foucault's archaeological approach to explore the early development of accounting in Indonesia. As a methodological study, the archaeology of knowledge constitutes a way to articulate a more coherent and comprehensive account of the emergence of modern accounting in Indonesia as an effect of Dutch colonialism in the early seventeenth century by dominating a policy of Dutch monetary system as an

accepted economic standard of exchange in Indonesia (Sukoharsono and Gaffikin, 1993a, pp.15-17).

Foucault's genealogical analysis is concerned with "knowledge and power" to demonstrate that history is not linear but that it is the two processes of "descent" (Herkunft) and "emergent" (Entstehung); it comprises discontinuities and contingencies (Foucault, 1977a). Moreover, Foucault emphasises the ways in which "power" and "knowledge" are interconnected. According to him, "knowledge" is not only considered as the exercise of "power", but also "power" itself can operate systems which produce "knowledge". For Foucault, he focuses **power** on "how power is exercised ... rather than what is power" (Smart, 1985, p.77). Power, for him, is having positive meanings that are far from repression and suppression of a dominant class, state, or sovereign, but as a strategy (cf., Hoskin and Macve [1986] and Smart [1985]). In the study of micro-physics, Foucault [1977a] described:

... power exercised is conceived not as a property, but as a strategy, that its effects of domination are attributed not to 'appropriation', but to dispositions, manoeuvres, tactics, techniques, functionings....

... power is exercised rather than possessed; it is not the 'privilege', acquired or preserved, of the dominant class, but the overall effect of its strategic positions.

... power is not exercised simply as an obligation or a prohibition on those who 'do not have it'; it invests them, is transmitted by them and through them; ... these relations go right down into the depth of society. (Foucault, 1977a, pp.26-27).

For **knowledge**, Foucault emphasised that

Power produces knowledge (and not simply by encouraging it because it serves power or by applying it because it is useful); the power and knowledge directly imply one another; that there is no power relation without the correlative constitution of a field of knowledge nor any knowledge that does not presuppose and constitute at the same time power relations (Foucault, 1977a, p.27).

An important implication of Foucault's concept of the power-knowledge relations is that, in his genealogical work, *Discipline and Punish* [1977a], he described the shifting development of society in terms of the power-knowledge relations: from *sovereign power* to *disciplinary power*. For him, the shift from sovereign to disciplinary power is articulated to the changes in the forms of knowledge. Referring to the eighteenth century, he identified sovereign power as a diminished form of power. Its subject is to punish people associated with political risks and dangers. Seizure of things, of bodies and ultimately of life are kinds of recourse used by the sovereign power (cf., Miller and O'leary [1987]). Disciplinary power is a strategic power which provides much richer procedures for training or coercing society (individual or collective).

Applied to analysing and understanding the development of accounting during the Dutch occupation in Indonesia, the questions which such a Foucaultian genealogical history addresses are concerned with the conditions under which accounting knowledge could operate as a part of a colonial system. Sukoharsono and Gaffikin (1993b) argued that the emergence of modern accounting knowledge in Indonesia by the influence of the Dutch could justify the development of a colonial system through surveillance and detailed control of Indonesian individuals in any matter of business activity. The Dutch used accounting as an institution and technique to discipline those who were subject to their influence. Accounting during the Dutch colonialism has played a part by not only providing technical calculation in terms of prices, costs, profits, etc, but it has also played diverse roles in social and practical life. Its emergence is intimately bound up with the operation of Dutch colonisation in the Indonesian archipelago (Sukoharsono and Gaffikin, 1993a,b). The Dutch produced an accounting knowledge which could be used to discipline individuals. Calculations and monetary accounts have been a major system to justify the Dutch's profits and welfare. Activities incorporated into such accounting knowledge has been used to exercise Dutch colonial power over Indonesian colonial territories.

Recognising the importance of understanding accounting as an aspect of social and political life, particularly in the case of the development of accounting in Indonesia, the present study aims to explore a particular concern of accounting in the process of the Dutch colonial domination through capital and production. It is suggested that a Foucaultian genealogical history is a productive method of investigation. The details of interrelationship between accounting techniques, its knowledge and its social power must be grounded in the social and political contexts in which they took place. For this reason, a particular period in Indonesian colonial history between the Dutch radical change (the middle of the nineteenth century) and the end of the Dutch liberal order (the beginning of the twentieth century) is the focus of investigation. The consideration of the period is not meant

to imply that it was the seminal period for accounting during the Dutch colonisation in Indonesia. It was, however, a very fascinating period. After the fall of the Dutch East Indies Company in Indonesia (1796), the Dutch government took control and responsibility in Indonesian territories. As a consequence, the Government attempted to prevent profiteering and exploitation of Indonesian economic resources. The period was marked with a radical changing of the Dutch government's operations to where its activities and policies dominated the social, political and economic life of Indonesians.

Radical Change of Capital and Administrative Policies

Colonial expansion of the Dutch in the archipelago in the nineteenth and twentieth centuries coincided with three important events. The first event was the fall of the Dutch supreme Company in Indonesia. The other two relate to the development of the capitalist world economy and the establishment of Dutch government in Indonesia. In the case of the fall of the Dutch Company, it did not mean an end of Dutch occupation in the archipelago. However, this situation led to the viciousness of the Dutch government when it took over the territory previously under the control of the Dutch Company. March 1, 1796 was the day which all administration of the Company were surrendered to the Dutch government (cf., Klerck, 1938). It was decided that the Charter of the Company, originally granted in 1602, which expired on December 31, 1799, should not be renewed; thus it meant that the Company had been liquidated¹⁾. The Dutch State was to take over all possessions and all debts of the Company. These circumstances led to a political impact on the changing colonial policies regarding capital expansion and political administration. Day (1904) said:

... The object of every policy suggested was the welfare of the Netherlands. Individuals advocated changes in one point or another of the system that the Company had pursued, and demanded reforms of the various abuses which the Javanese had suffered under the Old System, but they based all claims for change on the interests of the Dutch themselves. Amelioration of the condition of the natives, wrote one of the representatives of the reform party, "though undoubtedly a consideration of the highest moment in the eyes of humanity, seems to me to become only a secondary object in a political point of view, and, with the exemption of every measure contrary to the principles of justice and equity, it appears to me that the safest principle which can be adopted, to judge the propriety of any colonial regulations, or any changes and alterations to be introduced

therein, is, that every colony does or ought to exert for the benefit of the mother-country (Day, 1904, pp.129-130).

This is Day's expression of the changing Dutch policies in the archipelago. He believed that the policies would only be beneficial to the Netherlands, whereas the indigenous Indonesians continued to suffer under them. With the arrival of a newly appointed Governor-General Herman W. Daendels (1808-1811), the policies began to operate in the archipelago. Daendels, with the influence of the Emperor Napoleon,²⁾ introduced a new compulsory cultivation system³⁾ (Raffles, 1978). The system was based on Daendels' ambitious plans which were aimed at disciplining indigenous Indonesians to obey a compulsory plantation system, introducing a land-tax of one-fifth of the gross agricultural products, and contributing a surplus of five million florins as a net return to Holland every year (Furnivall, 1939). The favourite product of this forced system was coffee. Forced labour was increased especially for the compulsory coffee cultivation and the infrastructure facilities such as the construction and maintenance of public roads and bridges. This led to an increase in government capital expenditure and revenue. Financial accounting, in terms of calculability discipline, had played an important role in making colonial decisions. As Klaveren (1953) stated, based on financial calculation, Governor General Daendels made a decision to increase "high salaries for the officials and high coffee percentages for the regents (Dutch in Indonesia) and other connected personnel" (Klaveren, 1953, p.81). The calculation of salaries had been the model of governed power to induce the Dutch governmental officers to follow Daendels' colonial policies. It was during the Daendels period that officers acted excessively towards the indigenous Indonesians, requesting forced labour for the coffee cultivation system.

Another radical change, after the British Governor-General Raffles (1811-1816) interregnum in Java, came with the new policies of Governor-General Van den Bosch (1830). These changes were the outcome of a large standing debate on colonial policy between Conservatives and Liberals. Bosch based his policy on Conservatism arguing that compulsory cultivation, forced labour, and personal services were his main concern to enhance agricultural production and maintain capital accumulation. His policy had been well known as *Cultuurstelsel* (Culture System).⁴⁾ He offered the system based on liberal terms, and large advances of public money without interest to the respectable European inhabitants of Java.

The main feature of Bosch's Culture System policy was based on a tributary or tax system which, as summarised by Day (1904), was

... Instead of paying to the government [Dutch] a certain proportion of their crops [indigenous Indonesians], the

natives were to put at its disposal a certain proportion of their land and labour time. The revenue would then consist not in rice, which was almost universally cultivated and which was of comparatively little value to the government, but in export products grown under the direction of government contractors on the land set free by the realisation of the former tax. According to the estimate, the natives would give up only one-fifth of their time in place of two-fifths of their main crop. The government proposed to bear the loss from failure of crops if this was not directly due to the fault of the cultivators, and moreover promised to pay the natives a certain small price for such amounts as they furnished. The government proposed in this way to secure products suited for export to the European market, on which it expected to realise profits largely in excess of the prices paid to the natives and contractors, and the cost of administration. To the natives it promised increased prosperity and a lighter burden of taxation, as a result of fuller utilisation of their chances under the farsighted management of Europeans. The labor that before through carelessness and ignorance would have been in idleness or in the cultivation of some cheap and superfluous crop was to supply a product of a great value in the world market, and the natives were to share in the resulting profits (Day, 1904, pp.249-251).

James Money was one of witnesses of the operation of the policy, when he went to Java between 1830 and 1834. He said that there were at least five main principles of the policy that were to the benefit of Dutch and indigenous Indonesians.

The principles on which General Van den Bosch founded the success of his plans are said to have been:

1. Profit to the peasant [Indonesians], so as to make the new culture system acceptable.
2. Profit to the contractor [Dutch private enterprises], so as to induce its extension by private enterprises.
3. A percentage to the officials [Dutch], so as to secure their active support
4. Personal interest of the village community in its success, so as to secure careful cultivation.
5. Improvement in the tax-payers' means, so as to increase the revenue and facilitate its payment (Money, 1836, p.105).

With the growing application of the Bosch Culture System, the development of cost accounting systems in terms of financial calculability was very complex because the System promised to divide its profit in given proportions between peasants, contractors (manufactures) and the Dutch government. Each person who was involved in the system gained a certain amount of benefit. Money (1836), in his book of *Java or How to Manage a Colony*, noted that the complex calculation of revenue to beneficial persons was the main key to persuade them to follow the System.

With the application of the Bosch policies, it is not surprising that the Culture System was successful. Net profits for the Dutch treasury reported in 1877 were fl. 832,400,000⁵). It was not small profit. The huge profits produced by the Culture System convinced the Dutch government of the merits of managing the archipelago under the System. What did they spend the profit on? It was far beyond their colonial purposes. Bosch reported in 1830-1833 that

The Netherlands holds these regions [Indonesia] as tribute. And whatever the size of the territory ceded contractually [by the native people] to [the Dutch], the people remain separate from us and they are subjected to European rule. Thus the relationship between the government and the people is determined by the power the former exercises and the physical and intellectual means it has at its disposal to assert and reinforce this authority. The princes are no different in this respect, because they are mere vassals of the government (Bosch, 1833, pp.8-9).

It is clear that the original purpose of the Dutch in the archipelago was to exploit Indonesian economic resources to their benefit. General Bosch's explanation above was no different to others in principle. The Dutch did not hesitate to spend the profit which resulted from the Culture System on the welfare of their motherland, the Netherlands. From the profit of fl. 832,000,000, twenty eight percent, or fl. 236,000,000, was spent on reducing the Netherlands public debts, when they faced war with Belgium between 1836 and 1838 (Vandenbosch, 1942); eighteen percent on the construction of railways in the Netherlands; fourteen percent for tax reduction; seventeen and half percent for fortifications and other purposes.

General Bosch, in his report 1833, noted that

... The budget deficit, which for the last half-century has made the colony a financial burden to the mother country,

has been transformed into considerable surplus. In 1832, more than five million and in 1833, more than ten million guilders have been remitted [to Holland] ... and by the end of 1834 it can be safely assumed that a total of twenty-eight to thirty million guilders will have been transferred. This considerable surplus has been obtained without introducing new taxes and without increasing existing ones. On the contrary, some of the more oppressive taxes have been removed and others have been reduced.

... The production of coffee, sugar, and indigo has been expanded greatly because of the introduction of the new cultivation system.

... The object of the system is to lighten the heavy burden of the land rent on the Javanese and to ensure that they will earn a larger ... income ... The system has also made it possible that, within a few years, other important products can be sent to the home market ... And finally, the System has provided the government with the means for remitting large sums to Holland ... while the Netherlands has also gained supremacy in the colonial produce trade.

... Trade in this island has risen considerably because of the expansion of production. Owing to the rise in price of certain products as well as the increase in production, exports today are almost double what they were in the years immediately prior to my arrival ... Profitable employment has been provided for Dutch shipping, which has more than doubled ... (Bosch, 1833, pp.15).

General Bosch's report indicated that the increase of capital accumulation and product expansion in the archipelago had been achieved. In fact, during the Culture System, from 1830 to 1857, the Dutch revenue had risen rapidly above an average 24 million guilders to 102 million guilders up to 1856, and in 1857, they achieved 115 million guilders (Money, p.271). Coffee and sugar production, especially in Java, increased from roughly 30,000 in 1830s to 1,083,864 piculs of coffee in 1853⁶). In the same year, sugar production of three quarters of a million of piculs was achieved . This was also similar to some other commodities such as indigo, rice, cinnamon, and pepper.

This development and expansion of both capital accumulation and production was followed by two important developments. Firstly, in the nineteenth century, Dutch colonial capital was in the process of entering liberalism when the Dutch colonial government came under the influence of the British industrial

revolution. A concentration process of industrial productive capital, on the one hand, and the process of centralisation of money capital (banking capital system), on the other hand, established a new historical foundation for capital accumulation and for the extraction of surplus-product in the archipelago. A concentration on exported commodities had been the main purpose of Dutch policies to fill the high demand of European markets for the products from the East. Secondly, the emergence of financial capital in the form of a banking system in the colonial archipelago was accompanied by new patterns of capital process and industrial expansion.

A New Capitalist Banking System

From the first quarter of the nineteenth century onward, Dutch colonial capital came to dominate the processes of capital accumulation in the archipelago in the form of a newly acquired capitalist banking system. In 1824, by the Royal Decree of March 29, the Dutch government in Indonesia enacted a new financial institutions policy. The new policy led to the establishment of two big financial institutions in Indonesia: The *Nederlandsche Handel-Maatschapij* (NHM), registered on 7 February 1825, and the *Javasche Bank*, constituted on 24 January 1828 (Mansvelt and Muller, 1924, p.4). Laanen (1980) stated that the development of these two institutions, primarily the *Javasche Bank*, led to an extensive demand for money and capital markets for the expansion of Dutch industries and primary production. Various banking services, such as loans, deposits, promissory notes and savings were introduced. With the large increase in the activities of the financial institutions during the Culture System there was a considerable development in complex accounting techniques of calculations and control systems. Greater accounting knowledge was recognised as having an important role in commercial activities particularly in the banking offices keeping financial records. Managers of banking businesses recognised the importance of identifying the sources of their revenues and the process of accountability. These included accounts of revenues from export-import services, bank charges, interests, and other sources (cf., Laanen, 1980). They also recognised the usefulness of recording expenditures, not only by the source of revenue, but also by the organisational unit incurring them.

Nederlandsche Handel-Maatschapij (NHM)

In principle, the NHM had been established in 1824. Initially, the NHM did not intend to operate as a banking system (Mansvelt and Muller, 1924). As regulated, in Article 65 of the original Charter,

The object of the Society [NHM] is the promotion of national trade, shipping, shipbuilding, fisheries and agriculture,

factories and transport by means of extending, with due observance of its own interests, the commercial connections at present existing and which are advantageous for the Netherlands, by opening up new avenues for Dutch commerce, and by means of all such enterprises as can be promote and increase the activity of Netherlands industry (Mansvelt and Muller, 1924, p.8)

In this Charter, there was no indication that the NHM should operate as regard to a banking system. However, because various activities of the NHM's operations, such as providing agricultural credit and processing bills of exchange, they changed their operations as a financial institution, eventually evolving into a form of banking (cf., Mansvelt, 1977, p.16). Soon after its establishment, King William I expressed a desire that the NHM become "a centre of an extensive intelligence service, [which] was not only to point out new markets and resources, but was also to realise these advantages either by exploiting the opportunities themselves, or enabling others to make use of them ... and to grant credit to undertakings of private firms" (Mansvelt and Muller, 1924, p.8). Mansvelt and Muller also stated that in its operations and making its policies the NHM was based on the same idea as the Societe Generale Pour favoriser l'Industrie Nationale in Brussels, where King William I was the founder of the enterprise. The Societe Generale was operated as a full banking system. Later, the NHM operated as a modern banking system, which included mobilising credit for agricultural production in Indonesia. In fact, at the end of the nineteenth century the NHM still had maintained its operations based on banking services, such as giro, deposit, and loan services.

It is interesting to note the early structure of the NHM's management and administration, including the way accounting played important role in shaping the development of investment policies. The foundation of the NHM was the first great blow to the free peasant cultivation in Indonesia by the British interregnum under Governor Raffles. The NHM was initially founded by the political involvement of King William I who influenced developments by investing his money fl. 4,000,000 in the NHM's capital (Mansvelt and Muller, 1924, p.7). The authorised capital of the NHM was fixed at fl. 37,000,000 which had been subscribed soon after its public announcement. It is interesting that, even though King William I had only 10.8 percent of the total of the NHM's capital, he had great influence on the decision of the NHM's policies, mainly because he guaranteed the shareholders a 4.5 percent dividend, when at the time the rate of dividend was normally 3 - 4 percent. King William I's dividend guarantee led to the rapid establishment of the NHM. Then, in the general political arena, the development brought the Dutch policies against the British rule in the archipelago which under Governor Raffles emphasised free peasant cultivation in Java and Sumatra islands stimulating mainly

agricultural production related to British trade. The NHM's policies were to force compulsory cultivation under the Culture System which was favourable to the Dutch trade.

The NHM was an important business institution in the nineteenth century and the early twentieth century; both within the Dutch colonial context and in many of the host economies in which they operated. By the third quarter of the nineteenth century, the NHM was distinguished by its high turn over, its international orientation and support to the success of the Culture System in the archipelago (Day, 1904). Several branch offices were opened to meet the need for colonial expansion. Semarang, Surabaya, Padang, Makassar, Banda, Banjarmasin, Palembang, Ambon were the centres of the NHM's operations. The Board of Management was centred at the Hague, Holland. However, for its operation in the archipelago, the Branch office of Batavia was given greater freedom of action.

The general manager of the Batavia Branch Office presided over a network of sub-branches in the archipelago, each headed by a manager. By the late of nineteenth century, branch managers operated under an established system of standing orders and instruction manuals. They were expected to follow the general colonial policies of the Dutch government regarding the type of business conducted, and to refer all credit facilities beyond a certain amount for approval by senior management. Managerial hierarchies existed, but were very simple. Typically, a sub-branch manager would report directly to the general manager in the Batavia office, then from the Batavia, all reports would be passed to the head office in the Hague. Matters of information and control were hierarchical. All orders and activities of the NHM in the archipelago were set up at the Batavia office in consultation with the Dutch government (Mansvelt and Muller, 1924). The means of monitoring the performance and behaviour of sub-branch managers grew slowly and on an *ad hoc* basis over the nineteenth century. By the early twentieth century, sub-branch managers had to compile half-yearly reports, sometimes called Reports on Progress which would detail every aspect of a regional branch's performance. These were avidly checked in the Batavia office and often went to the Board in the Netherlands.

The Javasche Bank

Central to the working of the Dutch colonial monetary system during the nineteenth and twentieth century is the strategy of the Javasche Bank, banker to the Dutch government and its agent and adviser in the implementation of monetary policy. Apart from these central roles, the Bank fulfilled a number of other colonial functions. One function was to monitor the behaviour of economy in the archipelago. This included monitoring the circulation of money in Indonesia. The

Bank also took control over the operation of all other banks and financial institutions in the archipelago. Based on these roles, the Javasche bank could manage the flow of capital accumulation of the Dutch in the archipelago. Also, in its capacity as agent for the Dutch colonial government, it managed the Dutch foreign exchange reserves, administered exchange control policy, and arranged for the issue, servicing and redemption of government securities while raising the necessary finance to meet the day-to-day needs of the government (Java Bank). In order to carry out these duties, the Bank operated in the security and money markets, the control of gold and silver balance and the process of changing the supply of money and influencing interest rates. The Bank also acted in the foreign exchange market on behalf of the Dutch government, influencing the Dutch exchange rate. It also performed an essential intermediary function between colonial government and the private sector in the archipelago to exploit indigenous agricultural commodities for international trade.

The Javasche Bank was founded in 1827, two years after the establishment of the NHM. Following an Order in Council No. 28 of 1827, it was incorporated as a private banking institution with its capital of 1 million guilder (Java Bank). During its early establishment, the Javasche Bank was primarily concerned with the receipt of promissory notes issued by the purchaser of imported goods to the order of their importers and providing agricultural credit. The Bank's emergence as a central bank began with the circulation of gold and silver money after 1832. This was followed by responsibility for management of the issue of bank notes. Its position as a central currency institution was regulated and strengthened by the Coinage Act of 1854 under which the Bank became a centre of public cash. The Coinage Act of 1854 standardised silver standard coins for economic exchange transactions in the archipelago. Under the Act of 1854, it ultimately led to the Javasche Bank's becoming the only note-issuing bank and controlling the circulation of money in Indonesia.

Up to the 1940s, five years before Indonesian independence, the Javasche Bank had become the central financial bank and the central monetary policies of the Dutch in the archipelago. Its enormous financial power derived from the fact that it was able to combine the central functions of issuing currency with private functions of commercial operations. Laanen (1989) stated that the Bank had played a significant role in developing the colonial economy of Indonesia by maintaining and controlling Dutch currency power in economic exchange. The flows of capital accumulation of the Dutch government and the Dutch private enterprises were automatically a part of the Bank's management. Credit for exploitation of agricultural products and its expansion into other enterprises, such as oil mining industries, coal industries, and rubber manufactures, became a dominant pattern for the increase of Dutch capital accumulation in the archipelago. Maddison (1989), in

his study on "Dutch Income in and from Indonesia 1700-1930", observed that the domination of Dutch capital and their expansion in Indonesia was uninterrupted, even though criticised by Dutch politicians and journalists. For the Dutch colony, capital expansion was their first choice as a means of exploiting the economic resources of Indonesia (Maddison, 1989, pp.20-22). In fact, in 1880, the Dutch government regulated a Coolie Labour Ordinance (1880-1932) which bolstered the supply of cheap labour for plantations and enforced penal sanctions for runaway workers. Levels of spending on social services for the indigenous Indonesians, and particularly on education and labour skills, remained abysmally low.

With the increase of Dutch capital accumulation under the management of banking system, indigenous Indonesians did not gain any advantages which would have improved their welfare. Conversely, they suffered in many aspects of life. It's not surprising that the Javasche Bank was operated mainly for the Dutch capitalists who wished to exploit opportunities to build their businesses in Indonesia. Until 1940s, the Javasche bank remained the biggest bank amongst eight Dutch banks: NHM, Internationale, HVA, Koloniale bank, Cultuurmaatshappij der Vorstenlander, NIEB, NIHB, and one indigenous bank, Bank Nasional Indonesia. In particular, after the first world war, the Javasche Bank extended its operations which consisted of extensive foreign exchange and highly commercial transactions.

New Dutch Financial Policies

With the establishment of the NHM and the Javasche Bank and the growth of new manufacturing industries in Indonesia during the second quarter of the nineteenth century, the Dutch government changed their policies to deal with the modern system of liberalism. The fiscal system was particularly affected. In 1848, the movement for political reforms began with an introduction of the new constitution on liberal colonial policy. Klerck (1938) has summarised the new Dutch Constitution of 1848 as follows,

The great significance of the new Constitution of 1848 was therefore, in the first place, that article 59 and 60 removed the obstacles which prevented the acquirement of the necessary and required knowledge, and secondly, that the State-Generals were forced to interest themselves in the colonies ... The desire, however to put a stop to the absolute autocratic power of the King, also in the colonial domain, became general, ... Article 59 conferred on the King supreme authority over the colonies and possessions outside the realm in Europe ... stipulated that a colonial constitution should be established by law, thus by the concurrent action of King and

Chambers, defining the objects and methods of government ... given specific rights on legislation over colonial currency and finance...Article 60 stipulated that the King had to prepare a circumstantial report on colonial affairs and that the manner of management and accounts of the colonial finances would be settled by law (Klerck, 1938, pp204-205).

By the establishment of the 1848 Constitution, it gave King William II of the Netherlands and the State-General some control of colonial affairs and better management in the system of reporting and responsibility. However, this Liberal Constitution was different to what had been expected. It did not bring any improvement in the colonial administration. Day (1904) stated that it is apparent that the Constitution of 1848 was only a regulation on paper without any application (p.324). Following the 1848 Constitution, in 1854 the Liberal System of the Government promulgated the Regerings Reglementen van Nederlands Indie (The Netherlands Indian Government Act) which contained a new regulation on new principles of colonial policy dealing with the old policy of "net profit" ⁷⁾ for the government and the rights of indigenous Indonesians. In essence, the Act of 1854 brought in greater freedom of the press, the abolition of slavery, the promotion of indigenous education, protection against the evils of forced labour, the regulation of indigenous services and land-taxes. The Act also regulated the changing of the Dutch financial control of revenue which was supervised by a Board of Finance to be replaced by a Council of Director, or Heads of Departments. Although this Act seemed to be a broader conception of the Dutch government responsibility concerning the control of revenue and financial administration, it suggested that the Act was to enlarge the activities of the Dutch government to conduct a particular action against mal-administration of financial accounts. It indicates that there had been a preferred pattern of centralisation in decisions rather than decentralisation. As part of this system of Liberalism, the Coinage Act of 1854 introduced a silver-exchange system in the Indonesian economy (see also the previous discussion). This led to the colonial currency being placed on a sound basis for the development of manufacturing industries and capital expansion. In fact, there was a considerable increase of money in circulation after passing the Coinage Act of 1854. As Laanen (1980) observed, there was nearly a two-fold increase of money in circulation between the report of 1849 and 1855, from 10.8 million guilders to 20.10 million guilders in 1855. This indicates that a growing capital investment had been spread around the archipelago. There was an increasing demand for developments of new enterprises and manufacturing industries. Several new banks had been established as a response to the need for growing capital demands of new enterprises. The new banks were, in 1857, the Nederlandsche-Indische Escompto Maatschapij (NIEM), in 1863 the Nederlandsche-Indische Handelsbank, the Rotterdamsche Bank, the

Internationale Credit--en Handelsvereniging Rotterdam, Agency of the Chartered Bank of India, Australia, and China (Laanen, 1980, p.36).

It is very interesting to note that the connection between the policies of both the Liberal Government Act of 1854 and the Coinage Act of 1854 and the following impact on the development of the financial institution led to the influence of practical accounting knowledge. As Sukoharsono and Gaffikin (1993b) observed, there has been considerable political attention given to the development of advanced accounting techniques and control system when the Dutch government in 1850s encouraged the large increase in the activities of financial institutions in the archipelago. Greater advanced knowledge was recognised as having an important role in commercial activities. Managers of banking businesses recognised the importance of identifying the sources of their revenue. These included revenues from export-import services, bank charges, interest calculation, and other sources. They also recognised the usefulness of recording expenditures, not only by sources of revenue, but also by the organisational unit incurring them (Sukoharsono and Gaffikin, 1993b).

The complex development of the banking activities and the growing application of the liberal system of the Dutch colonial policy in Indonesia was not by accident. It was under the command of Governor-General van Twist (1851-1856) that the development began. Liberalism began with the intention of changing the policies from a closed to an opened system. Hoevell, a former minister of the Dutch Reformed Church and an ardent liberal and humanitarian, said in the Parliament Speech, 8 December 1851 that

It has been said that we [the Liberals] want to change everything in Java, that we want to destroy the system of cultivation and that we want to construct another system in its place. Gentlemen, I consider it in my duty ... to repeat again straight out and as concisely and clearly as possible what I, and many others with me, desire with regard to the system of forced cultivation ... I am now coming to the question: what changes should be made immediately? First I will give a general answer. We must *work towards* a system of free labour and free production ... (Hoevell, 1851, pp.34-36).

Hoevell suggested that

... the time has come, or rather that it is long over due, to take action. I want action ... Firstly, the Culture System must be

forced from the excesses and abuses that have caused and are still causing so much misery ... Secondly, the Culture System must be used as a means to achieve a system of free production and labour ... (Hoevell, 1851, pp.36-37).

It is interesting to note that Hoevell's proposal was a radical change, what he believed to be better operation of the Dutch colonial activities in Indonesia. He wanted the Culture System to be abolished or at least a reduction of compulsory cultivation over the indigenous Indonesians who suffered much under the System (cf., Vitalis [1851] and Multatuli [1860]). Similar to Hoevell, Vitalis also suggested that

When in 1837 I inspected this residency [Priangan, Pekalongan, and Rembang] I had to suggest stopping this cultivation [Culture System], because after two thousand peasants had been forced to work for five years ... only thirty-six guilders were to be divided among all these labourers for five years of toil ... (Vitalis, 1851, pp.22-23).

The Culture System had been disastrous for indigenous Indonesians. Starvation had spread over areas under the Culture System. In these circumstances, Hoevell wanted to improve the conditions of Indonesians by putting in place a proper colonial rule. In a later speech he said that he wanted

... publicity. I desire that everything that happens in Java should no longer be kept quite but made public. I want this large factory of a few million souls who have been made to work by force to be brought into the limelight ... I shall restrict myself to suggesting three measures to reach this objective ... The first measure is to help and encourage the development of private initiative in Java in the interest of land reclamation, agriculture, and plantation industry ... by their own industry and capital ... (Hoevell, 1851, pp.37-38).

After much criticism (eg., Vitalis [1851] and Multatuli [1860]) and the suggestion of Hoevell (1851) made during his formal Parliament Speech, the radical change of Dutch policies and growing economy in Indonesia began. As has been previously discussed, a number of banking institutions established and money lenders operated to respond to the Liberal reforms of the Dutch economic policies. Other evidence was the improvement in communications, such as in 1816 modern telegraphy opened an operation in Indonesia, a modern postal services in 1862, and the construction of the first few miles of railway in 1867 (see Furnivall, 1939, p.174).

Despite the Dutch colonial government urging the economic prosperity of Indonesia, open administration and financial accounts were still in question. The transition to a modern system of production, capital accumulation, and economy in Indonesia under sway of Liberalism had involved necessarily the changing of the colonial government's regulation system. Even though Liberalism and Conservatism influenced the Dutch colonial government in Indonesia differently, both had the same aim of exploiting Indonesians for Dutch profit as much as possible.

Multatuli said, with characteristic sarcasm, that there were in the Netherlands two parties "with very different principles", the conservatives, who wanted to get from the Indies [Indonesia] all profits possible, and Liberals, who wanted to get all the profit possible from the Indies (Day, 1904, pp.382-383).

While both *isms* wanted as much profit as possible from Indonesia, they were different ways that this could be achieved. However, it seems that the radical reforms of the Liberalism stood for Dutch colonial government of Europeans only (Day, 1904, p.383). Moreover, it is believed that Liberalism of the Dutch government still produced a large surplus or profit to the Netherlands. It is consistent with the essential and permanent interest of the colony to gain as much profit as possible for the home treasury, the Netherlands.

One of the important reforms of Liberalism was passing a new enactment, the so-called *Indiesche Comptabiliteitswet* of 1864 (Accounting Act) which provided a rule of compulsory budget preparation and disclosure in detail of financial matters in Indonesia. Under the Act of 1864, a new compulsory system of budget preparation for the operations of the Dutch government in Indonesia became fashioned. Forms of financial reports should also be clearly explained. The Act of 1864 it had important political consequences in arranging better management and control in the activities of the Dutch colonial government. This, in fact, stimulated private enterprises to improve their own practices of management control. Financial reports were better prepared. There was also a clear indication of better responsibility in management units. This situation became evident in the last three decades of the nineteenth century when the government reported detailed budgeting expenditures and revenues (see Booth [1990] and Mansvelt [1977]).

Industrial Innovation

Industrial Innovation

After the establishment of financial institutions and the radical change in the administrative and financial regulations (ie., the Acts of 1854 and 1864), the economic prosperity in Indonesia began by spreading manufacturing industries and capital circulation. The Dutch colonial rule entailed the Dutch capital domination of the processes of production and circulation. Dutch entrepreneurs organised markets and shipping on the world scale, mobilised capital, and requisite supplies, and established banking and currency regulations in order to maximise the Dutch profits and their prosperity from Indonesian economic resources. At the same time, the Dutch capital was willing to establish its direct sway over all territories of production which helped them to develop a network as an immediate consequence of foreign rule. Geertz, in his interdisciplinary research on "Agricultural Involution: the Processes of Ecological Change in Indonesia", stated that Dutch efforts to extend direct control over the labour process and capital (involving a wide range of capital-inspired economic activities) remained a heterogeneous undertaking that was accompanied by intensified forced colonial policies and an export network in Indonesian agricultural commodities (Geertz, 1963, pp.63-68). It implies that, with the Dutch's political capital mobilisation, they could control labour process, capital, and a network of supplied products. The connection between the production of Indonesian commodities and European market demands had been a part of Dutch policies to strengthen their domination.

The first significant impetus for expanded capital investments followed by the growth of labour power and production particularly in the agricultural industries occurred after the growing establishment of financial institutions in Indonesia. Laanen (1990) argued that soon after the establishment of new banks and growing capital investment in 1863 the actual demand for credit became fashioned. A number of Dutch agricultural private industries were founded as a response to rising supplies of Dutch capital. Short-term and long-term loans had been demanded to develop various manufacturing enterprises. In fact, by 1884, Hellerich (1944)'s study showed that 243 new enterprises were founded by financing support from new capital lenders (Furnivall, 1939, p.197). A detailed distribution of new enterprises' production financing by the new capital lenders can be seen below:

New Enterprises Financed by the Chief Financial Institutions in 1884

Banks	Sugar	Coffee	Others	Total
Nederlandsche Indies				
Handelsbank	29	20	4	53
Internationale Credit- en Handelsvereniging				
Rotterdam	12	20	-	32
Koloniale Bank	9	17	12	38
Dorrepaal Co	22	38	53	113
Handelsvereniging	4	2	1	7
Total	76	97	70	243

Adapted from Furnivall [1939, p.197].

The estimate of aggregate value of corporate investment of the new enterprises, both private and government owned was about 600 million guilders (Mansvelt, 1977, p.18). As Mansvelt classified the value of investment, private enterprises contributed about 200 million guilders, whereas the Dutch government owned about 400 million guilders. It seems that by putting a large investment, the Dutch could gain an advantage to dominate capital investment in any effort of economic activities. With the large capital investment, all production was under Dutch control. Sugar and coffee industries had been the main concern of both Dutch private and government enterprises since the 1860s (Knight [1990] and Fernando and O'Malley [1990]). As Knight has said, about one hundred Dutch own sugar enterprises, powered either by big water-wheels or by steam engines imported from Britain and Holland, produced in excess of 130,000 tonnes of sugar annually to meet the high demand of the European market (Knight, 1990, p.49). Similar to the growing production of Sugar, coffee was also high priority of the Dutch due to the high opportunity for profit (Geertz, 1963). Furnivall (1939) indicated that, even though there was a fluctuation on the general index of coffee prices, coffee plantations were still attractive to the Dutch. Thirty to forty percent of total revenue of the Dutch government came from coffee export production (Furnivall, 1939).

In relation to the development of financial institutions and agricultural plantations, the growth of colonial manufacturing industries took place rapidly by the end of the nineteenth century onwards. During the century to the first decade of the twentieth century and closely associated with the increase of banking capital markets, especially in the commercial bankings, significant innovations in both

accounting and practices of the Dutch government occurred in Indonesia. The accounting innovations stemmed from the appointment of the first governmental accountant, Van Schagen, in 1907, charged with opening the State Audit Agency (Abdoelkadir, 1982, p.29). The primary concern of the establishment of the Audit Agency was to assist the Dutch government in managing the financial flows of governmental enterprises. By 1915, then the Agency was actively operating, the necessary accounting control systems to manage financial activities of the government enterprises was in place. In the light of the complex network of the Agency's practices in financial matters which linked to other changes in practices of the governmental activities, these innovations had considerable significance. This is evident in the linkages and relays established between the requirements to administer and keep books of accounts in economic and financial activities, the emergence of pedagogic mechanisms for instructing unit activities in the mechanics of accounting knowledge, and ways of representing the significance of accounting techniques in control systems. The influence of the Audit agency extended to the private sector. In 1918, three years after the establishment of the Audit Agency, the first public accounting office was founded by Frese and Hogeweg (Abdoelkadir, 1982, p.29). The need for independent audits of big enterprises is apparent.

At this point, it is worthwhile to reflect on the emergence of the first public accountant in Indonesia. A linkage can be shown between the development of public accountants in Europe, especially in the Netherlands, and Indonesia. The development of the Industrial Revolution in the eighteenth century in the Great Britain which spread to the Netherlands created the demand for public accountants. In 1896, the increasing demand for accounting practices in the Netherlands created the foundation of the Netherlands Institute of Accountants.

It was burgeoning of the Industrial Revolution that created the demand for accountants ... The new works were much more labour-intensive than the craft workshops that preceded them and many cases the investment needed was too large for an individual or small group. These new companies needed more sophisticated bookkeeping and also since numbers of shareholders were involved, an independent audit (ICAEW, 1980, p.8).

From the statements above, it is possible to argue that the development of the profession is seen to emerge spontaneously from the growth in size of organisations. Because organisations grew in size, more sophisticated methods of internal accounting in the control systems were needed; while, at the same time, the diffusion of share ownership required by the expansion of the organisations created a demand for an independent audit. In the case of Indonesia, the firm is seen to

emerge spontaneously from the growth of the Dutch government's financial complex-network. A large investment by the Dutch government and private enterprises shared the growth of economy and capital accumulation in Indonesia. Output was increased to meet the demand of world markets, especially in Europe (cf., Furnivall, 1939).

As industries and increased capital accumulation developed during the end of the nineteenth century, Java Bank and NHM began to develop a major role in supplying long-term finance for fixed capital. Large development of Western private enterprises were encouraged by the Dutch government to maximise the Indonesian economic potential to meet the demand of European markets. Mansvelt (1977) stated that "a break-through to private industry" had been initiated by the Dutch government as they were aware of the lack of the Dutch government's capabilities to invest more capital in enhancing the capital domination in Indonesia. As a consequence, Java Bank and NHM did not confine their activities to the Dutch enterprises, but also supplied capital to Western private companies which operated their activities in Indonesia. Sugar and coffee production companies were not longer the centre of capital concentration. Some other production companies, such as cigarette, chemical materials, mining, and food and beverage industries, also required the supply of long-term finance for fixed capital (Segers, 1987). With this complex policy and development of Western private companies and new Dutch enterprises, it is noted that, for as long as possible, the enterprises both Western and new Dutch companies attempted to utilise the development of financial institutions which could assist in providing additional capital. They also attempted to avoid problems which may occur in long term investment by sharing risk between other enterprises. The popularity of partnerships and later, of private companies showed that Western industrialists during the end of the nineteenth century preferred to seek additional capital from friends, business acquaintances and financial institutions where possible. Eventually, however, with the development of Java Bank, NHM, and other banks in Indonesia as a source of long term finance for fixed capital, they were driven to seek public quotation on financial justification and statement from accounting professionals (ie., public accounting office) to assist them in loan and other financial decisions.

With this development, the separation between the ownership, management and the control of long-term industrial capital of the Western enterprises and Dutch companies in Indonesia allowed space for the accounting profession to develop its *de facto* monopoly of auditing. This enabled public accounting practices to be established to allow businesses to meet new developments in the assessment of companies' financial statement, independently (ie., independent audit). It also created a demand for accounting knowledge and practices to be developed. Segers (1987) indicated that during the industrial innovation at the end of the nineteenth

century in Indonesia, accounting was used in many aspects of control within in the companies both Western private and Dutch companies. In fact, a number of accountants have been sought to work in public accounting practices, tax office, audit office, treasury, and internal control (cf., Abdoelkadir, 1982).

Conclusion

This paper has sought to highlight the political power of accounting during the Dutch colonisation from the middle to end of the nineteenth century as a disciplinary force in strategic colonial welfare in Indonesia. It is argued that after the fall of the Dutch "supreme" Company, the Dutch government began by imposing "new" accounting policies to justify its domination of capital accumulation in Indonesia. With a radical change in the Culture System, accounting was used as a power-knowledge regime which supports the process of the Dutch capital and production domination. Dutch capital accumulation in Indonesia was a significant influence to gain and protect the political and colonial strategies of wealth (Heldingen and Hoogenberk, 1945). Foucault explained the function of capital in terms of protecting wealth as

... once capitalism had physically entrusted wealth, in the form of raw materials and means of production, to popular hands, it became absolutely essential to protect this wealth. Because industrial society requires that wealth be directly in the hands, not of its owners, but of those whose labour, by putting that wealth to work, enables a profit to be made from it. How was that wealth to be protected? By a rigorous morality, of course: hence the formidable layer of moralisation deposited on the nineteenth-century population (Foucault, 1980, p.41).

However, what Foucault said was different to what the Dutch perceived to be the work and control of capital in the colonial society. Liberal policy of the Dutch brought a radical change to the system which directed the control of wealth and production to the Dutch colonial regime, rather than to the Indonesian workers. The system of reporting and responsibility were used as a disciplinary power to maintain the Dutch domination. As an example, it has been stated that in 1848 the Dutch government in Indonesia passed a new constitution which legitimised the Dutch colonial interests in Indonesia. It continued by promulgating a number of other regulations concerning accounting (ie., the Coinage Act of 1854 and Indiesche Comptabiliteitswet of 1864) which support the protection of the Dutch capital and production in Indonesia.

Using Foucault's approach, accounting can be said to be one of many new types of disciplinary power which was one of the great inventions of bourgeois society, and one of the effects of which has been to protect wealth (Foucault, 1980, p.105). It was true to say that the Dutch as capitalists and colonialists relied on their capital to establish their colonial strategy in Indonesia. Indonesia was believed to have enormous economic resources (Leur, 1955) which the Dutch intended to exploit. Dutch capital accumulation in Indonesia was the main concern in the process of their early domination. In the early nineteenth century, the Dutch realised what they believed of Indonesian economic potential as Dutch government's colony.

The paper also explored an understanding of the process of the Dutch capital accumulation by introducing a "new" type of "disciplinary" financial capitalist system, the "capitalist Bank" in Indonesia. In agreement with what Foucault concerned with the "how" question of colonial capitalism, the emergence of the two big banking institutions: NHM and Javasche Bank and their accounting disciplinary regime could explain the further process of the Dutch capital and production accumulation in Indonesia. Both institutions were concerned primarily with the power mechanisms by which indigenous Indonesians were acquired and how Indonesians became a commodity to support the welfare of the Netherlands. Money circulation was under their control and Indonesians were no right to have their own economic mechanisms.

Additionally, strengthening the legitimacy of the Dutch colonisation in Indonesia, new Dutch financial policies and industrial innovation had been used as a power mechanism. A model of financial account and responsibility became a dominant means to justify the welfare performance of the Dutch government's operation in Indonesia. A planning of budgeting expenditures and revenues of the government was not unusual to see as a power control mechanism.

Notes:

1. The Dutch East Indies Company (or in the Dutch term, *Verenigde Oostindische Compagnie*) was a Dutch Company founded 1602 with the objective to unite all Dutch interests in a monopoly of eastern trade. During the establishment of the Company until the end of the eighteenth century, the Company had been much concerned to the occupation of the Indonesian territories. The Company was not only dealing with trading activities, but it also acted overtly by influencing economic and politic aspects in Indonesian life. The Company was not alone, it was supported by the Dutch Government in Holland in all matters of needs, for instance regulation for colonial justification and capital for operating their activities in the colony. During the seventeenth century, it had been said to be the golden period of the Company. Trading sales and tributes had been received in increasing every year. In fact, from 1648 to 1657, the average yearly sales exceeded f. 20 million (Glamann, 1981). Dividends were paid regularly about more than 200 percent. However, at the end of eighteenth century, the Company was outwardly as strong as ever. Suddenly, the Company was rotten and collapsed. Profit had, in fact, been declining since 1693, when the net profit dropped drastically to f. 48.3 million

(Furnivall, 1939). By 1724-1725 the result of its overall operations showed a net loss, and by 1779 the net loss amounted to f. 84.9 million. Then, by December 31, 1799, the Company had been decided to be dissolved, and on 1st January 1800, the Dutch Government took over all possessions and dominations of the Company and also its debts which amounted to f. 134.7 million.

2. It is interesting to note the appointment of Daendels as Governor-General in the archipelago. Daendels had gained his appointment which was different to others. He appointed as Governor-General, not from any experience in colonial affairs, but as the reward for military and political service under the French revolution in the Netherlands (see Hellingren and Hoogenbrerk, 1945). The relation of France in the Netherlands was that in 1780 the Netherlands involved in the Franco-British-American war. During the war, the British succeeded in capturing the Dutch ports important for all direct communications between Holland and the Indies. In 1793, the Dutch Republic went to war with revolutionary France. Thousands of Dutch exiles joined the armies of the revolution where they founded a group so called "Batavian legion". One of the commanding officers of this legion was Herman Daendels. By 1795, the French revolution occupied the Netherlands. By the 1795 to 1810, the French controlled the Netherlands in any government activities. By the time, in 1808 Herman Daendels was appointed by the influence of the Napoleon Empire to be Governor General in the Indonesian archipelago.
3. Basically, Governor General Daendels contemplated that the old models of cultivation system and administrative and financial system were so weak of managing a target to gain much profit from Indonesia. Under his control, radical reforms occurred. He appointed new officers and replaced the Director-General of Trade by a Head Administrator and four Administrations of Finance and a Chamber of Accounts, converted the mercantile employers into a graded civil service. All of his policies were associated with military force and suppression.
4. *Cultuurstelsel* was a popular policy in Indonesian economic history (see Geertz [1963] and Furnivall [1939]). In a popular English translation of the Dutch term to be "Cultivation System", but the "Culture System" mistranslation is embedded in the Indonesian historical term. Thus, in order to maintain the term related to historical understanding of Indonesian history, the paper uses the "Culture System" term.
5. Bosch's Culture System brought an important aspect on making high profits in Indonesia. Since the beginning of the System, 1831, General Bosch could expect that his System would be the best system to exploit the potential of Indonesian economic resources to the Netherlands. In fact, every year the System could make a contribution to home finances from their revenues in Indonesia (see table below, adapted from Furnivall, 1939, p.211).

Bosch's Contribution to the Home Treasury

Years	Total Profits
1831 - 1840	f. 93,000,000
1841 - 1850	141,000,000
1851	15,000,000
1852 - 1860	228,800,000
1861 - 1866	194,250,000
1867 - 1877	160,300,000
1831 - 1877	f. 832,350,000

6. Picul is a Indonesian traditional measure which means roughly 87.03 kilograms.

7. In the Old Policy of the Netherlands government in Indonesia, they declared the accepted principles of a Indonesian colonial administration which were to "give the greatest guarantees that in the first place the Netherlands authority shall be able to maintain itself in that conquered territory by pacific means, and that secondly, preserving the welfare of the native population, that conquered territory shall continue to furnish the Netherlands the material advantages which were the object of the conquest: quoted by Colijn, *Staatkundige hervormingen in Nederlands Indies* (Vandenbosch, 1942, p.60).

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