

PARADISE BECOMES HELL

(reprinted with acknowledgements to PROGRESS, Melbourne)

"Without the stimulus to proper land use, previously given by a sufficiently high cost of holding land whether used or not in the form of a land-value tax, a premium is given to underuse and productivity has fallen"

WITH THE RETURN of Java to the Dutch in 1816 in accordance with the decisions of the Convention of London, it was first governed by three commissioners under Baron van der Capellen. Its charter from the king was based on the principle of freedom of cultivation and trade. Within a month the Baron issued a decree throwing open the trade of the Netherlands Indies.

The Land Rent System Endorsed

Finances were a vital consideration, so there was an early review of the situation. This resulted in the decision to retain Raffles' land rent system, using the *desa* method of assessment. The system was to be improved by measuring up and valuing the land. To help the taxpayer to keep out of the hands of the money-lender he was allowed to pay his land rent in money or kind. These principles were embodied in Land Rent Ordinances published in 1818 and 1819.

Other measures from the Raffles period designed for protection of the native to prevent his exploitation were confirmed, including his regulations against slavery. But the safeguards were not effectively enforced.

The post-war boom was followed by a slump, and revenue dropped with the reduced trade. But the land revenue continued to increase, and it was a fall in revenue from other sources that produced the deficit.

The Java War of 1825-30 was a revolt arising from dissatisfaction over cancellation of land-lease contracts, and tolls levied at the boundaries between native and government territory. The cost of the Java War and the outbreak of a revolt of Belgium against Holland at home caused a change in policy for the worse in the Indies.

The Forced "Culture" System

A new governor-general, van den Bosch, in 1830, put into effect the "culture system," which was really a return to the old system of forced deliveries and forced labour under a new name. Under it, the principle of free peasant cultivation was abandoned. The peasant was forced to devote a portion of his holding to cultivation of export crops as directed by government, which would take the product in lieu of land rent in cash. With it free trade was abandoned, the products being handled by Dutch merchants, using only Dutch ships, and sold in the Netherlands. It soon became a device for enriching Holland at Java's expense. The element of compulsion increased and the safeguards in the original scheme were abandoned. Those controlling the scheme received a percentage of the products and thus had an incentive to use

means forbidden by government decrees. The original requirement that the cultivator devote only one-fifth of his holding to export crops was extended, and the cultivator was compelled to cultivate the government land before his own. Forced labour was used for the upkeep of roads and bridges. In some districts the cultivator had to work more than two hundred days a year for the government. During the years 1848-50 there was widespread famine in central Java for this reason.

Liberal ideas at work in Holland brought reaction against the culture system and agitation to get rid of it. Conditions were improved and the safeguards policed. The result of this agitation against the system resulted in legislation in 1870 providing for the government to withdraw from sugar cultivation in twelve annual stages from 1878. But the most profitable culture (coffee) remained forced until 1917. Even then the most profitable monopolies of opium, salt and pawnshops continued to 1927. The desire to free the native was there but the withdrawal of government from the controlled culture field in favour of private enterprise was largely pressed to give individual Dutchmen a greater share.

Much was done for the Indonesians by the Dutch from 1900 on, but there was too little development of education and little training or participation in the administration. Hence few Indonesians were equipped for responsibilities when independence was gained.

Despite these shortcomings the measure of application of Raffles' land rent system retained by the Dutch enabled extension of prosperity to increasing millions of Indonesians to be maintained until the second world war. Land speculation was small or non-existent. There was no chronic poverty here of the type that characterises India and other Asian countries.

Deterioration Since Independence

The position has now changed with the attainment of independence by the Indonesians. The land tax was abolished in 1951 and replaced by an income tax above a stated figure. This resulted in splitting holdings to escape the income tax. Then, in 1956, the previous "right to use" land was converted to a "right to own" it.

Selosoemardjan says in *Social Patterns in Jogjakarta*, that "up to the land reform of 1918 the farmer had only duties and no rights—from 1918 to 1951 he had both duties and rights—after the abolition of land tax in 1951 he had rights only and virtually no duties."

The results of these foolish and unjust measures have been disastrous. There has now emerged a landless class

and much unrest in consequence. Without the stimulus to proper land use, previously given by a sufficiently high "cost of holding land whether used or not" in the form of a land-value tax, a premium is given to under-use, and productivity has fallen. Indonesia was previously a rice-exporting nation, but has now become a rice-importing nation.

On the financial front there has been unbridled inflation. The whole country has suffered in terms of real income but with the removal of all obligations from the peasants they are far better off than others. Wage labourers and public servants are the sections most hit. Compared with the position in 1938, in terms of real wages, at 1958 the peasants' rice income remained approximately the same—the wage labourer dropped to about one half—the civil servant on an average to about one-thirtieth. This last is disastrous, because it fosters corruption in the administration where the public servant cannot live on his official salary without supplementing it by graft. This is a short cut on the road to perdition.

In the last five years these various self-inflicted blows

FARMING, LAND, & TAXES

Land Versus Chattels

WOODROW WILLIAMS REPORTS
FROM OHIO

THE OHIO FARM BUREAU is circulating a petition among farmers pleading for the abolition of the "personal property" tax. This is a tax levied upon chattels—that is, farm machinery, cattle, grain stored on the farm, etc. It is unwieldy to collect, and is generally acknowledged to be unjust, in that it penalises the livestock farmer, who must store feed and have extra machinery, while it benefits the land holder who rents out his land to others. I have a cow worth \$200. My neighbour has an acre of land worth \$700. I pay the same tax on my cow as he does on his acre. I wonder how many people remember that this tax originated as one of the schemes to relieve the "overburdened" property owner. To top it off, the Ohio Farm Bureau is pushing for a state-wide income tax to replace the personal property tax. The Farm Bureau also advocates more relief for the "property" owner—meaning the land holder.



The Tax Study Commission to which I was invited to give my views recently, has not yet officially reported to the legislature. A report was due early this year, before

have turned the Javan paradise into a hell. There has been one of the worst blood baths in history with the slaughter of nearly half a million Indonesians in the name of "anti-Communism." How many were really Communists will never be known. Even if they were, the primary evil was the degeneration in the economic conditions without which Communism would have no attraction.

Only if and when Indonesia returns to the basic principles of land rent for public revenue can its citizens expect to raise their living standards above those under the Dutch, or even return to them. It needs to be applied more fully, and to embrace the cities where site-rents are highest, as well as rural land. Simultaneously, taxes on buildings and other improvements, and on incomes, should be abolished. These act as deterrents to limit the national product and hence the well-being of all who share it. This course is in accordance with its own historical method restored by Raffles. We hope wiser councils prevail and they return to it.

the legislature met in regular session. But, as usual, they are stalling. The Governor is pushing a new "Bond issuing" proposal in an attempt to maintain an unrealistic "no new taxes" policy. My contention is that no change is needed. All that is required is compliance with our State Constitution, which requires all "property" to be assessed and taxed uniformly. But the practice has been to assess property at a percentage of its actual value. Theoretically this is at 40 per cent; in practice, it is closer to 30 per cent on average for real estate. It is, however, much higher on the more highly improved property, especially the newer houses and business establishments, including new factories.

It has also been the practice to jack up the assessments against railroads. But vacant holdings are let off with assessments as low as 5 per cent or even less! And the disparity is greater on ostensible "agriculture" land that is adjacent to the larger cities. This is taxed as farm land but it often sells to a developer for ten times more than its "agriculture" value. When it comes to "personal property" we get a flat 50 per cent. assessment. For example, I have a thirty year old tractor for which I paid \$750. It must be listed, under maximum depreciation, at \$175. It is assessed, then, at 50 per cent of this, \$87.50, more than it would be likely to fetch on the open market. I keep it for odd jobs, and my reward for caring for it and keeping it in good running order is excess taxation!

IN the last sixteen years the price of Illinois farm land has doubled. The rate of increase—about 5.5 per cent compounded annually—is similar throughout the central Cornbelt.

—Prairie Farmer