





READINGS IN MALAYAN ECONOMICS

EDITED BY

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PREFACE

THE OBJECT of this volume is to bring together a number of articles, written in various journals, mainly since the Second World War, which are useful background reading to anyone attempting a general study of the economy of Malaya. Libraries are very limited in Malaya, and teachers and students outside Kuala Lumpur and Singapore may find it convenient to have access to all these articles in one place.

It is assumed that sets of the *Malayan Economic Review* will be fairly widely available. For these, therefore, references have been given under the various headings, but the articles themselves are not reprinted.

The collection is not exhaustive. Articles have been grouped under five main headings, three relating in various ways to the economy as a whole, and the other two to Malaya's principal industries. In each section there is a short introduction which attempts to give some general guidance in co-ordinating and learning from the material. In addition there is a brief list of other articles and of books on the subject.

Selection has involved some problems, particularly in the sections on rubber and tin. In general I have avoided merely descriptive, technical articles, and have concentrated on those which would assist economic analysis and interpretation as well as give some factual background. On the other hand, the available material is not so considerable that by mere selection a grouping can be achieved which gives a complete and coherent picture. At best the division into sections is merely a guide to understanding, and the introductions give a little help in co-ordinating the material included and some of that not included but fairly readily available.

At the end of the collection there is a list of graduation exercises available in the Department of Economics of the University of Malaya in Singapore. To aid in the use of this material it has been classified by subject and exercises which were considered suitable—with only minor editing—for publication have been starred.

T. H. SILCOCK



I

ECONOMIC GROWTH





I

i. INTRODUCTION

THE PROBLEM of generating economic growth in Malaya, as in other relatively underdeveloped countries, is partly one of adjusting the relative rates of growth of different factors of production within the economy itself, and partly one of guiding and controlling movements of these factors across national frontiers.

We have, at present, no comprehensive study of these problems, and any student of the subject must make his way through a number of specialist studies of particular problems, or general works not specifically related to Malaya. One of the best general works on the subject is W. A. Lewis, *The Theory of Economic Growth*, London, Allen & Unwin, 1955. Unfortunately this has relatively little to say about Malaya.¹

Low incomes are, of course, always a result either of low productivity or of market conditions which prevent the low income earners from getting a larger share of the product. Both low productivity and low relative shares tend to be a result of scarcity of complementary resources, which may be capital of various kinds, enterprise and organizing skill, developed land (or land suitable for individual development) or technique.

The simplest approach to economic growth is to consider the relative rates of growth of population and of the various complementary resources enumerated above. It is not, of course, quite true that any increase of any of these complementary resources, relative to the increase of population, will lead to rising standards of living. But it is approximately true that any such increase will make complementary resources cheaper — so increasing the relative share going to labour — and will also stimulate new and more productive techniques, partly as a result of this cheapness.

The above approach can be regarded as a “comparative statics” approach to growth, since it looks at the results of growth in terms of relative amounts of resources at different points of time, and ignores the effects of the actual process of growth.

Though this kind of study is not fashionable in esoteric economic circles, there is plenty of scope for it in any collection of facts about an underdeveloped economy.

First we may take broadly descriptive studies of the growth of population and

¹ Reference should, however, be made to W. A. Lewis, “Reflections on Southeast Asia”, *District Bank Review*, No. 104, December, 1952.

of resources. There is an excellent study of the growth of population by T. E. Smith, *Population Growth in Malaya*, London, Royal Institute of International Affairs, 1952. A study of Capital Formation was undertaken by K. R. Chou, of the Department of Economics of the University of Malaya in Singapore, as a doctoral thesis at the London School of Economics (presented in 1955), but is at present unpublished. A good background to the question of land development in Malaya can be achieved by a study of K. J. Pelzer, *Pioneer Settlements in the Asiatic Tropics*, New York, American Geographical Society, 1945; and some of the difficulties of more rapid land development in post-war Malaya are discussed in T. H. Silcock, *The Commonwealth Economy in Southeast Asia*, London, Cambridge University Press, 1959. There is also a good deal of material about Malaya in C. K. Meek, *Land Law and Custom in the Colonies*, London, Oxford University Press, 1949. The fullest study of European enterprise is to be found in G. C. Allen and A. Donnithorne, *Western Enterprise in Indonesia and Malaya*, London, Macmillan, 1957, which also gives a good deal of interpretation, particularly of relations between enterprise and government. There is no comparable study of Chinese enterprise in Malaya, though much can be learned by taking together V. W. W. Purcell, *The Chinese in Malaya*, London, Oxford University Press, 1948, and two more economically oriented studies of the Chinese in neighbouring countries, G. W. Skinner, *The Chinese in Thailand*, Ithaca, N. Y., Cornell University Press, 1957, and J.-K. T'ien, *The Chinese of Sarawak*, New York, Humanities Press, 1957.

Within the general framework of this "comparative statics" approach, we may turn to studies with an anthropological or political emphasis, that throw some light on the problems of increasing the supply of capital and enterprise. Raymond Firth's *Malay Fishermen, Their Peasant Economy*, London, Kegan Paul, 1946, is a mine of information about the traditional processes and their economic function among a section of the Malay community where a money economy prevails, but attitudes differ markedly from those in a Western exchange economy. James Puthucherry's *Ownership and Control in the Malayan Economy*, Singapore, Eastern Universities Press Ltd., 1960, throws light on some political or semi-political factors that have inhibited growth, particularly of manufacturing.

It is possible, however, to go more deeply into problems of economic growth, in two ways. One is to emphasize the effect of the actual allocation of resources, and the inadequacy of dealing with aggregates in the whole economy. There may be forces that cause some processes to be relatively capital intensive — using too high a proportion of the capital and usually paying a price for labour in excess of the general level for such labour in the whole economy. There may be whole areas where labour resources increase rapidly but where no capital and enterprise flow for development, either because of cultural barriers or through government neglect. The study of these structural obstacles to mobility, as key factors inhibiting development, has been less

fully worked out in Malaya, but it is certainly influential in Malayan economic thinking.

The conceptual background to such thinking may be found in the recent works of Gunnar Myrdal, e.g. *Economic Theory and Underdeveloped Regions*, London, Duckworth, 1957, and in Benjamin Higgins, *Economic Development*, New York, Norton, 1959.

The influence of this type of approach can be seen in the essays of T. B. Lim, a collection of which has recently been published by Eastern Universities Press Ltd., and also in a collection of essays in Malay by Ungku A. Aziz, *Rencana2 Ekonomi dan Kemiskinan*, Singapore, Pustaka Melayu, 1959, some of which appeared in English under the title of "Facts and Fallacies of Malay Economy", in the Straits Times, Singapore, 28 February to 5 March 1957.

More recently, studies of growth have concerned themselves more with the actual path of growth through time. There are relations between the growth of capacity (capital equipment, developed land, etc.) and the growth of income which need to be explored to determine in what conditions steady growth is possible, without either inflation or excess capacity. Western models, such as those of Harrod,¹ Domar,² Joan Robinson³, and Solow,⁴ are based on closed economies without international trade. But it is clearly necessary to derive models which will allow for a balance between capacity and income, allowing for saving, investment from abroad, and foreign aid, and exploring the effects on the balance of payments of these various ways of increasing capacity.

We have as yet no models for study of growth in Malaya at this level.

The following seven selections do not, therefore, form a complete account of economic growth problems in Malaya. It is hoped, however, that together they will give some of the basic facts about the problem of promoting economic growth in Malaya, and also specimens of different approaches to the problem.

The first three articles, by Firth, Swift, and Freedman, introduce some of the anthropological aspects of generating technical change and capital formation, and incidentally illustrate some of the interactions of cultural background and economic position among the different races in Malaya.

The article by Firth is, of course, less closely related to Malaya than his book, *Malay Fishermen*, mentioned above, but he goes into some of the economic problems rather more explicitly in this article. It is hoped that if the two are read together, and in combination with the article by Swift, the economic implications will be

¹ R. F. Harrod, *Towards a Dynamic Economics*, London, Macmillan, 1948.

² E. V. Domar, *Essays in the Theory of Economic Growth*, New York, Oxford University Press, 1957.

³ Joan Robinson, *The Accumulation of Capital*, London, Macmillan, 1956.

⁴ R. M. Solow, "A Contribution to the Theory of Economic Growth", *Quarterly Journal of Economics*, February, 1956.

clear to those students whose main concern is economics.

Freedman's article, in addition to throwing some light on relations between Chinese and other races, gives a brief and interesting account of the Chinese tontine, which is an important source of Chinese business capital in South-East Asia.

The fourth and fifth articles emphasize some of the problems that arise from movements of the factors of production across national frontiers, and draw attention to the futility of thinking about Malaya in terms of "closed economy" theoretical models. Not only do factor movements generate special problems that must be tackled if they are not to hamper growth; an important part of the promotion of economic growth in this area consists in restricting or promoting movements of factors of production, and knowing where such restriction or promotion is feasible and beneficial.

The sixth article in this section is intended to stimulate thought about the relative rates of growth of population and capital in our economy, and the way they interact on one another through the level of demand, the level of saving, the prices of factors of production, and so on. It was a paper written for a symposium on population problems in Malaya, and introduces a few definitions and concepts that may be useful, but it does not aspire to build any theoretical growth models.

The last article in this section is introduced partly because it attempts an overall view of the economy in relation to certain growth problems, but mainly because it draws attention to the relation between land development and the growth of other factors of production, and discusses certain problems of policy in relation to these growth rates.

I

ii. MONEY, WORK AND SOCIAL CHANGE IN INDO-PACIFIC ECONOMIC SYSTEMS

R. W. FIRTH

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MY MAIN OBJECT in this paper is to examine the social effects of the introduction or expansion of monetary exchange in a peasant economic system. An alteration of this kind in the technical media of exchange, need not, *a priori*, have of itself any social concomitants. It is theoretically possible for the appearance of a novel type of exchange medium such as money, or for an enlargement of the amounts of money available and of its uses, to have effect in economic terms alone, facilitating the circulation of goods and their production without making any substantial changes in the social position of the people involved. In fact however, this is very unlikely — social values usually tend to be attached to the new income or consumption effects. And even if income and consumption effects are not large, the new experiences acquired in the production and exchange processes, in gaining and using the money units concerned, become matters of social evaluation, and tend to emerge in differences of social status.

Three points must be made at the outset.

Firstly, the aim of this paper is analytical, not ethnographic. I am taking my examples from the Indo-Pacific region, because that is the one I know best. But I am not trying to cover the whole range of phenomena presented by these diverse societies. What I hope to do is to set out some of the main considerations involved when money is introduced to an economy in which it has formerly not been known, or when there is a sudden expansion of the uses to which it can be put. This may indicate a framework of propositions for argument and research. The presentation is helped by the great variations found in the region. On the one hand there are relatively simple economic systems such as those of Tikopia or of the central highlands of New Guinea, to which money is just being introduced; on the other, there is the relatively sophisticated economy of peasant Malays or Indonesians, in which money of various types has been known and used for centuries in some transactions.

Secondly, at this stage it would be imprudent to pretend to have achieved a clear isolation of factors. In talking of social change it is necessary also to talk of economic change, since the social elements are so often mediated through the economic. It would be superficial to argue, as is sometimes done, that the peasant producer has no interest in a new production technology as such, but only in the income effects to be derived from it. Just as conservatism in retention of traditional tools may be in part a compound of aesthetic and psycho-physical elements involved in rhythmic use and quality of results, and of status interest in skill of manipulation, so the welcome given to a new tool or to a machine may be partly a recognition of its better technical quality, the novel skills which can be developed with it, and the social esteem which its control may bring. But on the whole, though these elements may influence the adoption of a new technical device, they are marginal to its permanent establishment. In the long run, it is the effects upon incomes and consumption levels, both experienced and anticipated, that seem to be of major importance. In a peasant economy, technological progress is not conceived as a normal desirable end, towards which special sectors of economic effort should be regularly directed. So it is with the use of money. Since social changes associated with a new or expanded technology emerge through economic changes and the social evaluation of them, it is difficult if not impossible at this stage of analysis to disentangle the changes due to the introduction or wider adoption of money in an economy, from those due to other aspects of a development process. When young men go out from the village to work for wages, the important social changes that come about may be due as much to the patterns and results of their new type of work as to the fact that they get money for it.

Thirdly, the primary purpose of this paper is social theory, not social application. Already, in some cases, the accumulation and interpretation of data may have been ample and acute enough to allow a counselling programme or advisory service to be of use. But on the whole we are still working out the implications of data which are much too inadequate for solid generalization. Our main task is first of all to call attention to the nature of the problems and the means required for studying them.

Characteristics and Exchange Variants in Peasant Economy

Before discussing the social changes associated with the intervention of a money economy in the wide sense, the major characteristics of an Indo-

Pacific peasant economy may be outlined.¹ There is a simple equipment and technology, with little use of machinery and no ideology of mechanization. There is no high differentiation of technical training. Market relations are of a limited character, with a relatively small range of goods and services involved. In prices, conventional estimations are apt to play a large part, and a "price" is often not given monetary expression. Control of the means of production is non-capitalistic, i.e. capital exists but the owner of it does not control the productive process; there is no clear separation of capitalist-rentier from worker-management in the persons contributing to production, or sometimes even in function when the person is the same. This merging of factor-control is seen also in the merging of rewards of production—the lack of separation of interest, wages and management rewards, for example. The scale of producing units and the volume of product for any single unit are comparatively small. The scheme of economic relations thus tends naturally to be of a more personalized order than in a Western economy. This kind of economic system is closely geared to a type of society in which the social units over much of the field of operation are small, with a local community emphasis; in which leadership and authority are largely produced from within the local group, and are often kinship-based or kinship-linked; and in which local religious cults tend to strengthen the community in many of its operations. Despite the great variation in scale and in sophistication, such characteristics are common throughout the region.

Such a system is conservative in the sense that there is rarely a wish to reject radically any of its major institutional elements² and substitute others. But there may be no stubborn refusal to adopt new items. There may be indeed an enthusiastic acceptance of them, with the implication that they are additions to the economic and cultural stock of a system which retains its basic familiar character. So subtly have new crops entered the economy of Indo-Pacific communities that it is almost impossible to reconstruct any "indigenous" production scheme for agriculture. The adoption in recent times of the drought-resisting manioc in Tikopia, for instance, has made significant changes in the crop cycle and is likely to alter correspondingly the system of land use and tenure. The substitution of steel axe for stone axe in the interior of New Guinea — a process now almost com-

¹ Further details are given in my *Malay Fishermen*, London, 1946, pp. 22-5 *et passim*. cf. also the distinctions made by J. H. Boeke, *The Structure of Netherlands Indian Economy*, New York, 1942, p. 57 *et seq.*

² Cases are known in which this appears, as the communities of the Purari Delta under the influence of Tomu Kabu, or the Manus of the Admiralty Islands. But it is a question how far the implications of such a rejection were fully perceived by the people.

plete — seems to have led to greatly increased felling of primary forest, with alteration of the balance in the provision of natural soil cover, and increase in danger of soil erosion and loss of fertility. Thus while the impetus to social change may be said to be given by a technological change, this in itself has only been possible by an acceptance or “committal” — to use a fashionable term — which has welcomed the possibility of increased income in at least some limited spheres. To put the point another way, the real impetus lies not in technology as such, but in seeing the possibility of alternative uses for labour and other resources which will yield the increased income. But apart from realizing the efficiency of the new instruments or processes, one must be willing to subject oneself (or others, if one has command over their labour) to a new discipline. In order to obtain the benefits, one must forego some types of satisfaction hitherto enjoyed. Change is the implication of human choices. When we speak of the social implications of technological change, we do not mean that the total process is inevitable; we mean only that an initial acceptance or committal in the technological field is likely to be followed by certain results. Some of these may be foreseen, but others may not. Yet it is these unforeseen results which are often of greatest importance, because they are often undesired. Being unexpected, no provision has been made against them, and being often long-term rather than short-term, they may eventuate long after there is any ordinary possibility of reversing the trend.

Now turn to the monetary aspects of Indo-Pacific peasant economic systems. Several kinds of system may be crudely distinguished here according to the degree to which money of Western type is current. There are those few systems where money is not used, and purchasing power is provided by bark-cloth, mats, and shell goods.¹ There are those systems, still common in the Pacific, where Western money is used for a limited range of transactions, but where other articles of more traditional type also still have purchasing power. Here again there is variation. Some systems, as on the south coast of New Guinea, using money for most exchanges of goods and services, reserve shell armlets, necklets and other treasures for certain particularly important transactions, especially those affecting the status of human beings, in which they may play a symbolic as well as an economic role. Others, as on the Gazelle peninsula, may add the complication of dual or multiple exchange media. So in the Rabaul market one may see fruit and vegetables sold indifferently for tobacco,

¹ I leave out of account here the arguments of Paul Einzig (*Primitive Money*, London, 1949) as to how far such indigenous valuables can be termed “money”. In my view he pushes this category beyond the point of usefulness, in not distinguishing those which serve as general media of exchange from those which do not.

for cowrie shells, or for cash.¹ Again, there are the systems common in Indonesia, the Philippines, and Malaya, where money is the general medium for a range of transactions comparable with those of a Western rural economy. The points of significance in these distinctions are the types of services and goods for the purchase of which money can be employed; and the level or range of purchase which can be undertaken. Every society has its conventions about which kinds of goods and services are proper for calculation and exchange in monetary terms, and which are not. One of the important implications of the introduction or enlargement of a money system in an economy is the re-estimation of goods, and particularly of services, which is likely to follow. This may mean in effect a re-orientation of the moral values of the society. One of the most meaningful aspects of the coming of a money economy may be said to be the introduction of a medium of exchange with external as well as internal purchasing power. Reference to an external standard is likely to tend at once to a revision of internal estimations, and, by offering hitherto unknown or unrealizable alternatives, to alter conventional placings of resources. Similar results are likely to follow from a rapid expansion of the monetary medium, as by the opening up of new markets for labour or commodities.

Effects of Introduction to a Wage Economy

Let us now examine in more detail what the economic and social results are likely to be in a community where money with an external purchasing power has not previously operated, or has operated at only a very low volume of transactions. For simplicity take first situations of money acquisition through wage payments, as in a plantation economy. What money may do in such circumstances is:

It may introduce an element of uncertainty into the socio-economic operations of some people, and reduce the relative level of skill and knowledge of those not regularly handling it. In Tikopia in 1929, the use of money was not understood, and the relative values of British coins were unknown. In 1952 there was a spread of knowledge, but unevenly. Some men who had been outside the community to work, owned and handled money with reasonable fluency and aptitude. Others, usually older men, might own some money, but handled it with caution and an admittedly imperfect knowledge of its relations, and the price levels of commodities within their economic universe. They had to rely on others to undertake transactions for them. By a few old men, and many women,

¹ Similar to those eastern Nigerian markets in which cowries, cash, and *manilas* (brass armlets) serve equally as media.

