

FROM TRADITIONALISME TO CAPITALIME: The History of The People-Based Economic System in Indonesia

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Abstract: Indonesian history of economy has shown that before the capitalism was introduced the traditional system of economy had been working in the society. Since the Dutch colonial administration introduced the money based economy, the people begun to adjust with this new system. Consequently, there were two economic systems working in the society, but the new system become a dominant system. In response to this new situation, soon after the independence Muhammad Hatta offered an alternative system which was commonly called a people-based economy (economy kerakyatan). This offer aimed to reduce the domination of the capitalism economy. He argued that the basic principle of the people-based economy was lied on the independence of the people rather than free-market applied by the capitalism. This paper argues that what Hatta has offered had been long practicing by the people in the villages as well as the cities. This practices can be found in the traditional form of economic institutions in the Minangkabau society where they established including lumbung nagari, farmers associations, business associations, and loan institution.

Keywords: Traditional, Capital, History of Popular Economy, Indonesia

INTRODUCTION

To elaborate on this section, we may first need to refer to J. H. Boeke. His book, Pre-capitalism in Asia, gives us a fairly adequate picture to illustrate how pre-capital Nusantara society. Boeke describes how the condition of pre-capital societies in oriental countries. According to Boeke:

"The nobles led the feudal life without doing any economic work; they are war leaders and hunters. Lay people produce. Lay people are people with little difference in social position, but have a strong group spirit. They are emotional, with less developed intellectual abilities. Discipline and lack of sense of determination. They tend to regard work as a crime, which is forced to be avoided as far as possible and restricted. Their work is irregular, and generally slow. Their traditional ways of working. In fact, the individual first feels himself as a member of the group, and thus strives to present himself as valuable, and if possible tries to be admired by members of the community. "

In Boeke's view, in part of the Bumiputra community, ownership of assets was held together. Almost unknown to individual ownership in most societies in the archipelago. That is, mere ownership is collective. What belongs to property, whether in the form of land or other property, is collective property rights, which are done collectively, and the results are used collectively as well. In a society like this, a community supports itself. Barely enough contact between people. If there is

trade contact between communities, it tends to be caused by differences in production, that not every community produces the same goods. Therefore, the barter system is still a common view of this society - especially in rural communities far from urban centers. How did the barter system itself take place?

According to Yuval Noah Harari, in *Sapiens: A Brief History of Humankind* (2017), a best-selling book recently published, people with this system do not have money or a money system. They, said Harari, "... collect and make almost everything needed, from meat to medicine, from sandals to magic ... they share food and services in an economic model of mutual cooperation." In general, the picture of the Nusantara community is: "Most people continue to live in small intimate communities ... every villager is an independent economic unit, maintained with mutual cooperation plus a little barter with outsiders."

Such is the general picture of the economic aspects of pre-colonial Nusantara society. More precisely, it is a picture of a very ancient society in Nusantara society. This similar tendency tends to ignore historical changes. Further on this description, we will quote Boomgaard (1989) in the *Dutch Colonial Children: Javanese Social and Economic History 1795-1886*, he pointed out several things that were commonly understood towards pre-colonial Nusantara society. Pre-colonial society is a population consisting of a number of farmers involved in subsistence production. They are considered untouched by the market and money. They live in closed communities and have legal entities with harmonious, egalitarian and democratic structures. They lived with the attitude of being feudal servants to the indigenous nobility. Then the same way of life was slowly replaced by colonial bureaucracies and Western companies based on a system of forced labor. At the same time, a dualistic economy (the original counterpart) is created characterized by stagnation.

That picture is not fully in accordance with the conditions of all the people of the Archipelago in the pre-colonial era. At the very least, Boeke's view is the traditional view of Western researchers regarding pre-capital Indonesia's economic society. *Padangan* is in line with the views of most early ethnologists as revealed by Boomgaard, that the view is completely wrong because it considers the Archipelago society to be so isolated, even though the actual conditions are not so deterministic.

Because, at least since the Hindu era, the emergence of cities and kingdoms and the improvement of transportation infrastructure brought new opportunities for the people of the archipelago. Hindu cities with densely populated people provide jobs for shoemakers, professional doctors, doctors, carpenters, soldiers, masters of all fields of work, teachers in education centers (mandalas), etc., in addition to traders of all levels, starting from small traders, intermediary traders, and big traders. While villages get a reputation as producers of natural commodities - depending on their topography, climate and land differences.

METHODS

According to the Stamp content analysis is a research technique that is objective, systemic, quantitative and describes the contents of communication. [4] There are at least 6 steps used in this method, namely: (1) searching for the questions to be examined and what theories and hypotheses to use, (2) selecting samples and limiting the categories used, (3) interpreting facts that is in relation to adequate concepts and theories. [5] Content analysis used in this paper is more qualitative. The reasons are: (1) the scrutiny is the writing in a work (book), (2) this article uses samples to view and analyze the contents of a historical (book) work.

RESULT AND DISCUSSION

Then the emergence of Islam later, at least beginning in the 13th century, port cities characterized by Islam have played a decisive role in the regional economic traffic. Through airports that also function as the capitals of the Islamic kingdom, the people of the Archipelago are connected

to the world of commerce which involves many nations: Arab, Chinese, Indian, Persian, even European in later times, and with fellow tribesmen in this archipelago itself. Efforts to obtain wealth have been lively this time. The periods of coastal trade, the period of the 'trade period' as translated into the title of Anthony Reid (1992), have sparked the intensity of the Nusantara community to try to obtain wealth.

The barter system is only a system that is still applied by tribal communities in the interior that are truly isolated from coastal trade, while the people of the Archipelago who have been connected to the world system have really left the barter system to happily enter the economic money system, in where money began to be used widely as a medium of exchange with various variants or types.

We can quote Yuval Noah Harari to illustrate the transition well, about how the barter economic system is no longer possible in the midst of the complex economic conditions of society: An economy of mutual cooperation cannot work when many strangers try to work with each other same. Giving free help to a sister or neighbor is one thing, but caring for strangers who might never give a reply is very different. People can lose in barter. However, barter can only be effective for exchanges with limited products. Barter cannot be the basis for a complex economy. "

This picture will get a stronger justification if we quote again what Bloomgaard said. According to Boomgaard (1989), in general during this period the intensity of the money system entering the chambers of the Nusantara community was not yet high even though it was not an isolated area of the monetary system. In addition to the port cities, the archipelago in general, this system has not been so affected. Even though the money system has circulated, the problem of individual ownership is not yet a common symptom in society. The collective ownership system is still prevalent in the Nusantara community.

While if we refer to Hatta, the people of Nusantara are for him: "... please help! Sanubari Indonesian people are full of shared sense, collectivist No longer a person or a small group who must control the livelihoods of many people as they are now, but the needs and willingness of many people must be the guideline of the company and income. the ones that concern the people's livelihood must be based on common property and are located under the guardianship of the people through the agency of their representative body "(Hatta, 1923).

Colonial Economic Emergence: Moneterization

This system of individual ownership is merely a tendency introduced by the capital system through the West as an extension. The colonial presence intensified the money economy into traditional societies which had not previously been so entangled in this system. The path is through the halls that have been pioneered by Western colonialism, and the time varies in each region. But in general, through two important periods of colonialism: the Forced Planting System & Economic Liberalization. We will discuss further these two important periods in the economic history of the Nusantara community.

In each region, the bumiputra differ in entering the period of the money economy. However, in general, the 19th century was a decisive century for the penetration of the economic system of money-capital into the bumiputra community, even though during the VOC the symptoms also appeared in some areas directly under the control of the company. In traditional Javanese society, all ownership is under the royal umbrella. Especially land, all of which belong to the king. The people are king's servants. The presence of the VOC since the end of the 18th century crew on Java has led Javanese people to be involved in world capital trade by planting sugar cane. Starting from sugar cane plantations, planting famous Javanese teak, until the opening of sugar factories, has led Java to enter the world market under the umbrella of Dutch capital. Then, when Britain came to power, since Raffles, at least, he introduced a head tax system, the Javanese were counted based on individual heads. The situation strengthened even more after the Cultivation System and the Liberal Economy

with the participation of the private sector were widely introduced to expand even not only in Java, but also to all regions in the archipelago. The nineteenth century was a marker of how evenly and massively the bumiputra community became connected to the global capital-capital system, where individual ownership was the marker, and money as the main asset.

This forced planting system first began in Java in 1830. Its originator was Johannes van de Bosch. The initial opinion of why this system was put into effect was because of the notion that the people of the Archipelago, especially Java, did not really care about their relations with European trade, in that sense, what they planted on their lands was not products that sell well in European markets. Therefore, these Javanese people need to be stimulated to plant superior commodities that sell well in the world market. In Boomgaard it is said that these Javanese people were persuaded (forced) "to use a portion of their cultivated land (up to at least one fifth) and a portion of their labor (also one fifth, or 66 working days)". They, these Javanese farmers, were asked to grow coffee, indigo and sugar. The three commodities are plants that are widely cultivated in this forced planting period.

According to Boomgaard's records, 6 percent of all rice fields in Java had been planted with trade crops for the European market based on this forced planting system. Farmers' working days in the paddy fields were relatively reduced because they had to contribute their labor in coffee, indigo and coffee plantations. Their mandatory work of 66 days often has to exceed that number almost twice, up to 120 days a year must be spent working on plantations in the forced planting system.

This system was introduced slowly from 1830 to 1835, but could be effective throughout Java in 1840. Although not in the whole archipelago a forced planting system was treated, or its enforcement varied in each region. In Java alone, in Solo and Yogyakarta, this system was never enforced, this is probably because both of them are royal regions. In half Madura it was also never implemented, it could be because some areas in Madura were not suitable for the cultivation of export crops. On the Pasundan plateau, in Priangan a forced coffee cultivation system was introduced but also other types of plants were introduced besides the three mentioned earlier. In Banguwangi, Kediri, Madiun, and Pacitan a forced cropping system has been implemented, but with a slightly modified version of the initial set system. For Java, due to this forced planting system, it was striking. Boogaard at least suggested some of the effects of the introduction of this system to Javanese society at large. Some of them are important here, because they are directly related to the purpose of writing this chapter, but we can ignore some of the others because they are very different from the topic of this book in general.

Taking a fifth of rice fields and one-fifth of farmers working a year to grow export crops has caused the production of these plants to increase considerably, but the impact of rice production and trade crops for the local market has stagnated and worsened. This also causes high pressure on the land, because it must always produce, but what is most felt, according to Boombaard, is the increasing pressure on workers who have to devote one-fifth or more of their time and energy to working on agricultural land planted with export crops.

This forced planting system also has a broad impact on the need for labor. The demand for labor has increased considerably-even though this is not solely due to the forced cultivation system, but also due to the increasing dependence on coolies to build roads, bridges, irrigation, ports, fortifications, buildings, factories, and warehouses, as well as demand for transportation and labor in industry. But, we say, half of this is for the benefit of this forced planting system. Construction of roads and bridges, for example,

Increased monetaryization, even though given the foundation also by Boomgaard that does not mean that before 1830 Java was a *Naturalwirtschaft* - the intention was a state of natural-natural society. But, at least as we have already mentioned, there is also evidence that the system of forced cultivation has brought the regions of the Archipelago to very intensive monetaryization. The impact that we mentioned will be most felt later in the Minangkabau community which we will discuss soon.

Outside Java, such as in Minangkabau, a forced planting system came into effect towards the middle of the 19th century. The forced cultivation system of coffee itself began in 1840, not long after the Minangkabau plateau could be said to be fully subdued under the control of the Dutch colonial government. After the end of the Padri War, marked by the agreement of the Long Plaque by the warring parties, the Netherlands has emerged as the sole winner of the crisis. How then is the forced cultivation system of coffee scheduled for Minangkabau, more clearly the translation is in Dobbin. In the last chapter of his book, Dobbin reveals how the origin of the forced cultivation system of coffee was put into effect.

This forced planting system of coffee marks the masus of the Western capital economy to the private chambers of the Minangkabau people. The forced coffee cultivation system, noted Dobbin (2008), was a form of direct colonial intervention in the economy of the Minangkabau village, which caused Minangkabau villages to be connected to the global economic community through mainly through Western hands. "European officials are now directly involved in the village economy," said Dobbin, this significantly led to the economic life of the bumiputra "increasingly monetized".

This situation intensified and thickened when the liberal economic system was introduced by the Dutch colonial government in 1870. That year, precisely July 21, 1870, the Sugar Law issued by the colonial government stated that the forced planting system ended. While the Agrarian Law issued in the same year allowed the entry of private capital into the archipelago. The law marked the start of an open door economy or a liberal economy, which included allowing European foreign private companies to invest as widely as possible by providing long-term land grants to companies that were willing. According to, many people regard this period as a turning point for Dutch colonial economic policy, "The conservative policies of state enterprises (the Cultivation System) provide opportunities for the liberal phase of private companies".

This policy itself was born out of complaints from humanists and people who adhered to liberal economics in the Netherlands, who saw that almost 5 thousand of the Cultivation System took place, the Dutch cash had indeed been greatly helped, but the system had reduced the indigenous life level to the brink destitution. Outbreaks of disease and hunger spread ferociously, especially in the 1840s in Central Java. The people of the Archipelago under this system must bear "Direct and indirect taxes too high, inadequate labor costs, or lack of attention to welfare," the note noted.

In the new economic system, private capital is permitted to rent vacant land for a long period of 75 years. Private capital is also given the opportunity to rent arable land from residents. This policy can sound promising on paper. However, in practice, for the bumiputra community this system is no more loose from the mouth of a crocodile coming into the mouth of a tiger. In Hatta's view, the Dutch colonial economic system, which was supported / assisted by aristocrats in the domestic feudalism system and certain foreign private parties as compradors of the Dutch colonial party. Dutch colonialism in Indonesia in the field of economics corroborated colonial capital (koloniaal-capitaal) which originated from VOC colonialism and cultuurstelsel, implementation of the 1870 Agrarian Law until the operation of other foreign private investments from the Western continent (Hatta, in Sritua Arif, 2012: 1). Bung Hatta suggested the state of the socio-economic structure in the Dutch colonial era in Indonesia which showed the indigenous people who constituted the majority occupying the lowest strata in the socio-economic structure. The people's economy in which the indigenous masses depend their lives for being depressed as the lowest strata in the economic constellation.

Then what will be the impact for the bumiputra community for the transition? The result is quite fatal. Collective ties in which economic principles run communally, which are the economic markers of pre-capital society, are strained in society. While on the other hand new dependence on colonial countries with their individual money economy increases. As a note to strengthen, this has become a problem which many prewar novels have worked on in the history of Indonesian literature. This division of society creates a state of anomie which ends in deviant behavior - by suicide as a

peak. Many novels of the era can be referred to. We remember the Safe Dt. Madjoindo, Tjerita Boedjang Bingoeng which is not very well known (when compared to other novels such as Si Doel Anak Betawi which is busy talking about). In this novel, the development of colonial capitalism ushered Indonesian people in a kind of 'madness'. Indigenous people are required to move in the tide of the money economy; how to have and own material objects from global production. This created its own depression for people who had previously only surrendered ownership rights to the communal system, to the ownership of the people. Ramon Guillermo called this novel a perfect depiction of how the concept of 'money' came into the middle of traditional society.

Another figure in another novel: Samsu, in Sitti Nurbaja, tried to commit suicide because of a broken heart. Aziz, who was rich, in the sinking of the van der Wijck, fell into poverty and committed suicide. Laminah, in Tak Putus Dirundung Malang, committed suicide because she was unable to continue living in various sufferings; also Mansur, in the same romance, committed suicide by plunging into the sea because after coming out of prison, the social environment no longer accepted it. Hanafi, in Salah Asuhan, died by drinking 4 sublime items; he killed himself because he felt excluded from his traditional social environment. "They have lost their beloved local culture, but they have not been allowed to take the same part of the imperium world. On the contrary, their adoption culture continued to view them as barbarians," Yuval Noah Harari wrote, which was quite suitable to describe this situation.

The socio-economic conditions of the Bumiputri community as above are probably what triggered ideas about cooperatives arising from their Founding Father, Mohammad Hatta. The cooperative was formally formed in 1947. However, in Indonesian society itself, cooperatives had existed long before that. What is the development of a cooperative form or model before Indonesia's independence, this section will explain this.

Cooperatives in Rural Areas

Traditional Nusantara communities actually have a kind of village organization or association and partnership to help each other face difficult times. In a more formal form, these associations are in the form of an 'economy' with various models, some of which are developed in trade and labor areas, some are growing in agricultural areas among farmers and planters; the first was in the newly developed colonial cities along with the rise of economic arousal, the second was in the rural areas rather distant from urban areas.

First of all, we will discuss cooperatives that develop in the countryside. Regarding this, the English historian John Ingleson noted in his article "" Community Savings and Loans Association "in Urban books, Social Problems, and Labor in Java Colonial Period (2013):

"Villages in Indonesia may always have informal structures that help their communities when needed — to finance weddings, funerals or help during the period of sick care and other family calamities."

The names of the associations John refers to can vary in each region. Sometimes according to the language of each region. But the principle is the same; holding the principle of family in helping others — that is, in helping its members to solve their problems.

In the nagari in Minangkabau, for example, in a 1927 newspaper report it was said:

"This boemipoetra di-Minangkabau hydrology is being played by the people who have been found working together (please help). Seboeah, for example, is clear and is still widely reported by people, is that he is working on rice fields, and upholds the law d.l.l.

In Minangkabau since this period there has been a kind of intranagari gathering in the form of Lumbuang Nagari, which is spread in each nagari, with various names in each nagari [Nagari itself is the lowest government structure in Minangkabau, equivalent to villages in Java or Mukuk in Aceh] . We do not know whether in pre-colonial there has also been a kind of awareness like this, we

cannot yet explain this problem. Lumbung Nagari itself is a kind of simple bank where members of nagari keep money to be used at any time when there are certain disasters or certain important events.

Lumbung Nagari has a significant role in several disasters, which show its contribution in providing assistance. There are many examples of where its existence can effectively help its members who are in trouble. Some of the fires that occurred in Minangkabau during the 1920s and 1940s, for example, as recorded by Tani — an agricultural magazine issued by the Dienst Landbouw in Bukittinggi, whose promises were quite extensive for farmers in central Sumatra — life-saving victims of fire thanks to the active role of Lumbung Nagari in each nagari. Read more:

"Pengoeroes-pengoeroes loemboeng villages in the City of Nan Gadang from low to high levels have taken the message that all the people who were hit by the fire were killed".

Lumbung Nagari is so important in the midst of emergency conditions or crises that afflict a nagari. For this role, the presence of newspapers in the villages is praised:

"Is it okay for us to visit the village, which must be praised and valued high by us all?"

In rural areas, too, in a more complex form, associations or sarikat — in the sense of [a kind of] cooperative — are deemed to have grown quite rapidly in the period before this independence. This is more than just an association in the form of the usual partnership referred to earlier, but has been in the form of a cooperative that we understand, in the sense as written in the following newspaper:

"Whereas cooperatives are used, if they intend to use joint workers in terms of: wanting to obtain capital, holding goods and utilities, tools and objects that are boiled daily, focusing on the results of the business, understanding and producing goods trade and hold oeang-oeang biaja-biaja who come suddenly, such as death, fire, animals, etc. It is here that you are solely working together with those who are being flocked, but more so when you are together and having a meeting, soepaya is getting stronger in the eyes of other people. "

For a more complex example, Sarikat Smart Garden Sikek, for example, is the right prototype. Again in Minangkabau, this cooperative is the oldest in Central Sumatra that was established and managed by the bumiputra. This cooperative is, "... maybe the one in the Minangkabau Nature". This association was established in 1915, with members of the farmers. Since its establishment, this cooperative has grown with great profits, and received praise in the newspaper. In an article in the newspaper entitled "Sarikat Kaboen Pandai Sikat (1915-1928)", it was said that this cooperative had become the prototype of the success of a cooperative initiated by the local community. This cooperative, according to the newspaper news, "Seboeah, for example, is patented once by everyone!" This partnership in 1927 already had 10,000 stems that produced results and more than 10,000 new stems which were 1.5 years old.

The Sarikat Cooperative The Pandai Sikek Garden is a cooperative established by people from Nagari Pandai Sikek, which at that time was under the administrative administration of the Padang Panjang Onderafdelng. As noted in a report: "... a cooperative with land from Pandai Sikat people, onderafdeeling Padang Pandjang." The process of establishing the cooperative began with the ideas and establishment of Datoek Radjo Nando, a Sikumbang clan leader in Pandai Sikek. The Datuk has been chained to Malacca for quite a long time and is considered successful on the land of Rantau. After returning from Malacca he reviewed his hometown. In 1915 he then founded the cooperative. He was joined by four other people named: Datoek Sinaro Pandjang, Datoek Radjo Endah, Sidi Katib, and Labai Bagindo Besar. "These five people are actually, who are pioneering the austere path of the cooperative," the newspaper report said.

Since its founding in 1915, members of this cooperative have continued to increase from year to year. In 1919 there were 36 members, a year later there were up to 50 members. The average member is Pandai Sikat, even though there are also those from outside the nagari, such as 2 people from Koto Laweh, and there are also those from Koto Baru. Contributions are taken on average f30-

a month. Had almost collapsed in the years 1923-1924 due to the price of agricultural commodities that dived sharply, after that this association rose again. Until 1927, the cooperative's net profit had reached f6,616.56. "Tahoen is free, if it is associated with a union with more than 60%," the 1927 newspaper reported. As with cooperatives in general we know today, of all the profits generated by this association, 15% are set aside for the purpose of expanding the business. While 85% of the remaining profit is divided among all members.

As a result of the success of this cooperative, several regions also began to develop cooperatives in the same field. The next area recorded as a pioneer of cooperatives is Kayu Tanam. Record the newspaper: "Di-Salodako (Kajoe Tanam) orangpoen has been responsible for setting an example by establishing a cooperative leader." The plant that the cooperative wants to cultivate in Kayu Tanam is not only rubber (rubber) but has also begun to try other crops including coffee. "The plants that will be planted are para and perhaps coffee." In addition to Kayu Tanam, in the Agam-Lubuk Basung area it has also been designed to establish cooperatives in similar fields. According to a report by Tani Magazine: "... on Loeboek Basoeng (Padang Kalam Sitanang) there is still another semi-cooperative cooperative".

We have not been able to elaborate on the development of cooperatives after that in Sumatra villages, because the sources are still inadequate. Likewise, how can the development of cooperatives in villages in Java also not be traced, also because of the limited reading we have. But of course an effort towards reconstructing history is being carried out, hopefully other sources that are richer about other regions and periods can be found soon to reconstruct the history of the development of cooperatives in Indonesia before the independence period, especially those in Java that have not been discussed once.

Cooperatives as Urban Symptoms

The next discussion is directed at the development of cooperatives in urban areas. In cities, especially in cities in Java, cooperatives are mainly in the form of savings and loan associations. This association began to flourish since the introduction of the Cultivation System in Java in 1830, when Javanese farmers were forced to grow export crops such as sugar, tilapia and coffee for the world market. This new condition has "broadened the reach of the money economy to rural areas in Java and directly led to the growth of large and small cities," John Ingleson noted. Even though we don't know the exact number, this growth is accelerating when the Cultivation System ends. Then after that the Period of Economic Liberalization began in 1870 with the opening of a tap for foreign capital by the Dutch colonial government. This led to the fact that "continuous population increases and the closure of Javanese land borders pushed and forced people to find work outside the village," John said.

John wrote an article entitled "Community Savings and Loans Association", which if we follow the flow of thought, we will find that the origin of cooperatives in Indonesia did not come from Europe, nor did it come from only the symptoms of rural areas in Indonesia. However, this is also a local symptom of the Indonesian people themselves in the midst of the turmoil of urban life, starting from a problem that was overwhelming the early urban community. It is born and is part of the "money economy" (John, p.240), and savings and credit associations are the earliest form. This is a simple bank model if it is said to have developed in the early Indonesian cities.

According to John, it has not been known since when and how the community savings and loan association emerged for the first time during the colonial period. But at least the information is obtained that such associations are part of life for some people, mostly in large and small cities in the last quarter century of the 20th century. John writes:

"In 1910, these community associations were common in workplaces and villages, part of urban areas which were often poorly maintained where wage workers and their families lived".

The description of a savings and loan association is "A large number of people join and some of them take care of a number of significant things". For many people, they [this association] "are a useful support for efforts to overcome daily life with a small income without the ability to save and always be faced with the threat of losing a job, illness, or death.

John writes in full:

"Community savings and loan associations in Indonesia's urban areas are the earliest community associations for death insurance funds. Buying a burial place and financing a number of ceremonies needed in cities is a major expense for people whose lives come from day to day from low wages and often uncertain. "

John, we should quote again:

"This association of guaranteed death is a small matter. It may be organized by village leaders or foremen in the workplace, they require that their members pay a small amount of money as a fee regularly in return for a guarantee of a sum of money for the cost of the death of a family member. "

Further Development Towards Independent Indonesia

Savings and credit associations continued to develop during the early 20th century. Ranging from community associations to simple death fund guarantees, then developing into insurance and pension funds, unemployment insurance and savings and loan business entities. Furthermore, there are a number of cooperatives, which provide clothing, food, and household goods, both new and used. This was done to "reduce the living costs of ordinary people by avoiding local shops, especially Chinese shops."

Moreover, the emergence of movement organizations makes the number of community savings and loan organizations increase rapidly. The period is the period in which "Indonesians sought ways to alleviate the social and economic problems of living on Java which quickly became urban under the rule of a colonial state with no social welfare structure." Savings and credit associations were created by voluntary organizations and by small groups of individuals who are united to deal with the problem in a different way, namely to encourage cooperation through pooling existing resources. And among the existing savings and loan associations, the most powerful and large in this period are savings and loan associations that are established and managed by workers.

John writes:

"The largest and most financially strong community savings and loan association is managed by government workers and the majority of its members are higher paid and more skilled workers ... Sarekat workers attract tens of thousands of urban workers in 1910, 1920, and 1930s. "

In addition to the existence of savings and loan associations as we have just described, many more models of associations that resemble cooperatives, ranging from those established by indigenous people and those initiated by the Dutch, both those initiated by merchants and those intended for civil servants. For the last mentioned, one of the earliest models even began earlier, since 1896, which was pioneered by a civil servant (ambtenaar) named Patih R. Aria Wiria Atmaja in Purwokerto. The uncle founded a bank for Javanese (priyayi) civil servants (Dahlan Djazh, 1980: 16).

His desire to establish cooperative-based financial institutions was driven by concern and desire to help employees who were increasingly suffering from being trapped by loan sharks who provided high-interest loans. The Patih's intention was to establish a model credit cooperative like in

Germany, said a source, but we did not know whether the model like Germany was the reference if remembering when the Coach went to study in Germany or had learned it through the available reading material at that time, indeed it needs to be proven again.

The initial ideals and enthusiasm were then continued by De Wolff van Westerrode, a Dutch Resident Assistant. He visited Germany and advocated changing the established Savings Relief Bank in the Indies to become a Relief, Savings and Agriculture Bank. In his essay published in *Tijdschrift voor Nijverheid en Handel* in 1896, De Wolff van Westerrode wrote about the workings of cooperatives which later became a bank, which was named *Poerwokertasche Hulp*. This bank is the first example for the *Volks Credit Bank* of all human needs, both clothing, food, and shelter, which can be met with economic measures (Margono Djojohadikoesoemo, 1941: 9).

While from the movement of the educated bumiputra, in 1908, Budi Utomo was founded by Dr. Sutomo gave a role for the cooperative movement to improve the lives of the people. In 1915 a regulation was made on *Verordening op de Cooperatieve Vereeniging*, and in 1927 the *Regeling Inlandsche Cooperatieve*. In 1927 an Islamic Trade Union was formed, which aimed to fight for the economic position of indigenous entrepreneurs.

The establishment of cooperatives as an effort to free the community from the grip of moneylenders and middlemen is a common goal at that time. Moneylenders using a large usury system in the matter of lending and borrowing have become a cause that afflicts the people. Communities are very dependent on the renter (especially local loan sharks) in times of crisis or in a sudden situation; in this condition people have no other place to complain about the matter other than to the moneylenders because there is no place to borrow. For this reason, cooperative movements in the form of savings and loan associations and the like are mobilized to protect the community, together creating mutually beneficial protection, especially in difficult times. This is also what causes cooperatives among bumiputra to grow rapidly at this time.

John about this writes:

"They may be the first urban community to experience a period of saving when it is normal to deal with the sudden need for cash is to borrow from local moneylenders ... These early members of the death insurance community know each other personally so they can have confidence in the managers who holding money with trust ... The money may be invested in a savings account that is run by a government-owned post office or may be closed to members for returns with interest. The amount of money is indeed small, but it is valuable for wage workers in urban areas who have no experience of capital accumulation. "

However, even though the cooperative has grown passionately, there has been no regulation regarding cooperatives at that time. Until, to anticipate the development of cooperatives that had begun to become popular, the Dutch East Indies government issued legislation concerning cooperatives. First, the *Regulation of the Cooperative Association No. 43, Year 1915*, then in 1927 *Regulation No. 91, Year 1927*, which regulates *Cooperative Associations for the Bumiputra group*. This law was born through a long struggle. Through these regulations, permission to establish a cooperative is relaxed.

About this regulation Tani magazine reports:

"This new language has been implemented in a law about the regulations on bumiputra cooperative associations. The point is to facilitate all the necessary conditions for establishing a cooperative."

However, in 1933, the Dutch East Indies Government issued a new regulation, *General Regulation No. Cooperative Associations. 21, 1933*. The regulation of 1933 was only applied to groups that were subject to the order of Western law, while the *Regulation of 1927* was valid for the bumiputra group. Discrimination is also applied at the level of cooperative life, so instead of

cultivating cooperative passion, it actually turns off the cooperative business itself. By issuing this latest regulation, the colonial government was considered hesitant to advocate cooperatives because of political considerations, that the colonial government feared the cooperative would be used by the politicians for a purpose that mobilized the power of the bumiputra to undermine the power of the colonial government (Dahlan Djas: 26-27).

In 1942, when Japan occupied Indonesia, the development of cooperatives was also not encouraging. Japan indeed established a cooperative with the name Kumiyai. Initially this cooperative went well, but its function changed drastically into a Japanese tool for making profits, and tormenting the people of Indonesia. The cooperative at this time functioned as a distributor of basic necessities for Japanese war interests. Cooperative business must be adapted to Japanese military principles. As a result, it is very detrimental to members and the community at large. All cooperatives established under the rules of the Dutch government must get Japanese approval (Ahmad Zakarsi, 2012: 7).

After Indonesia's independence, through Hatta's initiative in 1947, the growth of the cooperative got its nursery on decent land. The new government provides adequate stimulus to cooperatives. The law itself guarantees its presence and cooperatives to be used as pillars of the nation's economy. John wrote: "... after independence, small-scale community savings and loan organizations developed rapidly. Cooperatives, local savings and community associations for death insurance as well as workers who manage aid funds, all grow rapidly. "

CONCLUSION

The pre-capital bumiputera lived in a traditional economic system, but the Dutch East Indies colonial government introduced a system of economic monetization money that could not be countered. Under these conditions, Hatta appeared to introduce a populist economic system aimed at opposing the practice of dominating capital. In this context, the economy rests on the sovereignty of society rather than free investors. This system has actually had a cultural base in both rural and urban areas since the early period before Hatta formulated it as an idea. The forms are various, such as barn nagari, farmer companies, business companies, savings and loan groups, etc.

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