The Persistent Effects of Private versus Colonial Rule[1]

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Despite a growing literature on the effect of historical institutions on long-run economic development, the role of private rule during that era remains largely unexplored. This project exploits spatial variation in the extent to which certain areas (plantation estates) in Java were controlled by private, foreign enterprises during the Dutch colonial period, to investigate long run effects on economic outcomes and institutions. Our preliminary results suggest that development indicators are worse in places that belonged to private estates. Further, we find that the legacies of the private rulers - in particular, the institutional features historically imposed by them - persist to this day.
Below, we provide a brief description of the background, methods, and preliminary results of our project.

Due to a financial crisis of the Dutch East India Company and the brief British interregnum of rule on Java from 1811-1814, roughly 10 percent of the landmass of Java was sold off to private enterprises, and this share increased steadily over the nineteenth century. The owners, who were typically Dutch, English, or Chinese, were petty potentates who had so-called heerlijke rechten (lordly rights) over the population and were responsible for the overall governance, and the provision of public goods. Through anecdotal evidence, historians have pointed to two main features of the private rule on the estates of Java: first, they document that the owners paid little attention to the provision of these goods or services (Fasseur, 1992). Second, the quasi-feudal rights gave the private rulers to directly impose institutional features that would help them retain control over the peasants that worked the land for them. In particular, they exercised the right to assign village heads, who were earlier traditional chosen by residents of the village by a popular vote. They also had rights over assigning cropping land, and could rent out land parcels. These policies diverged from the rest of Java, where the Dutch colonists tried not to alter the historically grown patterns of communal land ownership.

We start by using spatial variation in whether villages in present-day Java were located in the estates owned by private entrepreneurs during the Dutch colonial period, and compare them to nearby villages on the other side of the historical state boundary. In doing so, we are able to provide local average causal estimates of the long run effects of being forced into the cultivation of cash crops and controlled by foreign, private entrepreneurs. The

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central feature of the research methodology is a geographic regression discontinuity design within a country, which exploits the historic plantation boundaries obtained from archival maps. We combine this data obtained from archival maps on plantation and administrative boundaries with village-level socioeconomic data collected since 1983, for details on key variables such as access to public goods, as well as measures of agricultural production. This, along with Indonesian census data (1930, and 1960 onwards) allows us to study the long-run effects of private rule on development outcomes, and their evolution over time.

We find that development indicators, as captured by education, night lights, and electrification, are worse in places that belonged to private estates during the Dutch colonial era, even though the people in these areas are less likely to be engaged in agriculture.
Further, we find that the legacies of the private ”rulers” - in particular, the institutional features historically imposed by them such as how village heads are selected, and the extent of police presence, persist to this day. Villages that lie inside the historical private estate boundaries, are more likely to have police stations and posts, and are more likely to have village heads that are civil servants and are appointed, rather than democratically elected by village residents.

In on-going work, we track the evolution of socio-economic outcomes over a long time period starting as early as 1930, as well as look at the boundaries between areas under direct Dutch colonial rule. We also make use of the variation in length of time the plantation areas were under private versus other types of rule. We also digitize data from the annual records of estates (for all cash crops - sugar, coffee, rubber etc.) that were maintained by the Dutch from 1882 until Indonesia's independence. This data consists of estate names, ownership or lease status, locations, produce grown, and price of the land. By digitizing historical land registry data, we generate a consistent panel of geographic entities for which we know the timing of entry into and out of private or Dutch rule, giving us a measure of treatment ”intensity”. This allows us to compare regions under private rule with direct Dutch rule, within the universe of plantation estates.

Our research relates to the growing literature on how culture and institutions can help explain development and divergence (or convergence) in economic development (Tabellini, 2010; Dell, 2010; Acemoglu et al., 2001). The focus on the role of historic private ownership and private rule is a unique feature that has not been explored in the existing research on colonial development (see e.g. Banerjee and Iyer, 2005 for the role of indirect versus direct rule in India).

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