The Object and the Subject of Accounting Budgets: Evidence of Early Use by British Colonial Houses

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Abstract

Foucault's name is synonymous with the human sciences. The human sciences are active in the creation of knowledge that is used for the purposes of power and control. This study draws a link between ownership and control to management accounting in the rubber industry in Malaya, since its acquisition by the British.

With the publication of Zorn and Leigh-Hunt's Manual of Rubber Companies 1969, it is now possible to assess the importance of agency houses and the interlocking directorships of the various rubber companies they managed and the management accounting tools that were used in maintaining power and control over the rubber plantation industry in Malaya, during this time.

It provides evidence that it is management accounting, unlike financial accounting which is seen as a passive practice, which provides a neutral or unbiased representation of the underlying economic facts, and plays an active part in maintaining people in power and in control. The paper further provides evidence of the exploitative management accounting tools that were used for exploiting labour.

Keywords

Knowledge and Power
Budgetary Power and Control
Colonial Plantation Houses
Accounting and Exploitation

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Introduction

The *human* sciences are as different from the natural sciences as they are different from the social sciences. The human sciences are not passive but active in the creation of knowledge for the purposes of power and control. Synonymous with the human sciences are the writings of Foucault, 1972, who was able to relate knowledge to power. He sought to show how human beings were the object of knowledge and were later subject to knowledge, and how human beings became the controlled through knowledge (see also Foucault, 1984).

The central purpose of this paper is to show how human beings and in particular workers are the object of knowledge in management accounting and to also show how human being, and in particular workers, later become subject to knowledge of management accounting. More particularly, workers in the rubber plantations in Malaya were the object of the management accounting tool of budgets, and were later subjected to that budget. This paper provides evidence of how budgets was written by the Indian Immigration Committee (IMC, 1925) in Malaya by first observing Indian workers and how such a budget was subsequently used in subjecting Indian workers to such a budget.

With the publication of Zorn and Leigh-Hunt's *Manual of Rubber Planting Companies* (1969), it is now possible to identify the ownership of the rubber plantations in Malaya. Ownership of the rubber plantations in Malaya is singularly European, and particularly British. Ownership also implies and produces the need for control of the rubber plantations, both in its factors of production and its profits. Accounting tools enabled such effective ownership and control in the rubber industry by enabling the extraction of the maximum profit at the lowest possible cost. Such a tool is provided for by accounting, in its enabling of processes and transactions that concluded in the acquisition of land in Malaya; in enabling methods that facilitate monopolistic control of the rubber plantations in the hands of a few and the provision of tools that minimised expenses and maximised profits.

This paper provides evidence of the relationship between ownership and control and the role accounting played in enabling such control and ownership, in the rubber plantations of Malaya, during the period 1876 to the period before independence, in 1957. It provides yet another piece of evidence in the growing number of instances where accounting is implicated in the exploitative act which supported a repressive regime. Following Laughlin (1987, 1999) critical scholarship and research is not only to research and analyse the world and to understand how accounting helped shape it, both in the past and the present, but also to actively try and change it. However, changing the world and our collective future is no easy task. In order to change the future we need to understand how the present came to be. In order to do this, we need to understand our collective past.

To understand the past, accounting researchers need to understand the processes, the methods and the tools that were used in making the present. For only as we understand the process, the methods and tools that were used, are we able to unmake what was made. Here is one more attempt to explain the process, the methods and tools that were used by one group of humanity in the eventual exploitation of another.

To undertake change, transformation needs to happen at two simultaneous levels: at the individual level and at the social level. Such change might only be brought about by knowing. Knowing eliminates bigotry, fanaticism, a rigidity of thought, narrow-mindedness and intolerance. However, such knowing cannot be allowed to and must not result in an extreme form of liberalism, which assumes that all human understanding is limited and is therefore evolving and as a consequence denies the existence of absolutes. This brand of relativism would lead us to a paralysis of will, as we are pulled in many directions and all directions.

Perhaps what we need, in order to change the world, is a clarity of mind and a single-mindedness built on knowing. It is knowing that provides the basis for certitude and the ability to distinguish truth from falsehood, from one account of the happenings of the past from another, that enables us to act on a society in which the distinction between the two has been blurred. Further, knowing must shatter superstition and obstacles that keep us away from certitude and the raising one's consciousness. To know about something is not the same as being acutely aware of it and allowing it to influence one's thoughts and actions, consistently.

Knowing enables us to actively labour for the cause of justice.

Ownership and Control in Malaya – Historical background

This section provides a brief summary of the history of the rubber plantations in the Malay peninsular. Other more detailed material may be sourced from Li Dun-Jen, 1955; Emerson, 1937; Thompson, 1943; Puthucheary, 1960; Drabble, 1973 and Voon, 1976.

In summary, Western imperialism was pursuing among other lands its 'civilizing mission'. The vast majority of non-western peoples living outside of the Western world shared little of the material blessings and even less of the optimism of the West. China, India Latin America, Mexico, Russia, the Congo in particular, and Africa in general, are stark examples of the plunder and then the draining away of resources from the colonised to the capitals of the West. Most of the peoples in the non-western world at this time were 'starved, beaten, worked literally to death for the profit of their distant masters'. The colonised came to be simply objects to be acted upon, used, trained, mobilized and exploited according to the shifting agendas of Western imperialism.

Against this backdrop, the Malay Peninsula, in the pre-colonial period was populated with small agricultural village communities.

The agricultural economy was based on padi (rice), vegetables and fruit, and was for the most part self-subsistent. The social structure was based on three levels: of aristocrats, freemen and slaves. Aristocrats demanded a share of the produce along with some free labour services from both the freemen and the slaves.

The colonisation of the Malay Peninsula began in 1511, with the Portuguese capturing Malacca, which was then a thriving seaport, followed by the Dutch in 1624. The port simply provided a means of reaping trading profits of the port, which was strategically located at the crossroads of the East-West trade routes. Such occupation did not however, have any significant impact on the economic or social life of the then agricultural, self-subsistent, village communities.

British colonial rule in Malaya began in 1786 when the British ‘acquired’ the ports of Penang and Singapore in 1819 and Malacca in 1825, by the then British East India Company and regarded as Crown Colony. By 1874, intervention in the form of the ‘Residential System’ saw the four Malay states of Perak and Selangor in 1874, Pahang in 1888, and Negeri Sembilan in 1889, came under British rule. British rule, later through a Treaty of Federation, consolidated the four states as the Federated Malay States and paved the way for political, legal, administrative, economic and physical infrastructure, which in turn paved the way for capital intervention.

By the 1900s there was a great expansion of the rubber and tin industries. The period of greatest growth was in the years spanning 1900-1920 when there was a massive inflow of British investment by way of capital and immigrant labour recruited from India. This period also saw the Malayan economy transformed from comprising mainly of self-subsistent village products to one that produced tin and rubber, and the supporting trade and commercial sectors, which had come under British control.

A monetary system, under British control, was also developed, which similarly depended on British capital. The period 1932 till 1941, the Depression years, integrated Malaya into the world market economy. This period saw a tightening of the control of British capital over the economy, through the introduction of a quota system, over both the Chinese tin mines and Malay rubber smallholders. From 1945 till the 1957, British capital consolidated and rationalised its control over the Malayan economy. For example, in 1948, the nine remaining states and the Straits Settlements became unified as the “Federation of Malaya”, giving the British full jurisdiction over the entire peninsula, enabling greater centralised control. It is during this time that the British share of output was maintained, through a few large holding companies and agency houses that took control over an increasing portion of the British share.

Given the summarised historical background, this paper now provides a background to the rubber industry in Malaya during the colonial period.

Puthucheary, 1960, pp. 1-59 provides an excellent, pioneering study of the process by which British interests manoeuvred for interests in Malaya, particular in the British acquisition of land, during this period. Some of the processes that were used were as follows:

First, rubber was determined by the British, to be the best product to be cultivated in Malaya. By 1953, land under subsistence farming, including rubber, had grown to 2.75 millions of acres (Rubber Statistics Handbook, 1953, Federation of Malaya, Annual Report, 1955 and International Bank for Reconstruction and Development, 1955), with an estimated 1.85m (68%) held by Malays, 0.80m (29%) by the Chinese and 0.10m (3%) by Indians. Of the 2.75m acres, about 1.15 million of acres of land were planted with rubber.

One observer during these times however, notes that more than half of the rubber and padi farmers worked on rented land and did not own the land they worked on (Ungku Abdul Aziz, 1957). A report of the Federation of Malaya *Rice Committee Report* estimates that 80% of the land under rubber in Province Wellesley, for example, was mortgaged and lost to the *Chettiars* (Indian money lenders) when the price of rubber fell.

It is interesting to observe here the processes through transactions, that were used in European plantations acquisition of land under rubber. There are several causes for the tenancy and share-croppers in rubber. Rubber was for the most part planted by shop-keepers, well-to-do government employees and other urban dwellers who saw rubber as an extremely profitable investment for small capital. As most of these small holdings were too small to justify wage labour and supervision, the holdings were rented out to tenants for a share of the of the rubber produce. In most cases about half of the crop was taken as rent. By 1930, the price of rubber had fallen making rubber farmers and shop-keepers, who had financed the planting of rubber, borrowing heavily from moneylenders on the mortgage of their land. When rubber prices fell, many could not pay their debts and as discussed earlier, the Indian *Chettiars* became the land owners and the previous owners became the tenants. The *Chettiars* were the most important suppliers of credit to smallholders. The *Chettiars* themselves operated with funds borrowed from European-owned banks.

"Small Asian traders, artisans and tin-miners (and smallholders) obtained most of the credit they required from Chettiars against mortgages on their crops or promissory notes (or title deeds). The Chettiars in turn placed themselves in funds by discounting these notes with Western banks or by obtaining overdrafts on the security of bills or title deeds to property. Western banks derived a considerable part of their revenue from this type of business" (Allen and Donnithorne, 1957, p. 205).

The second reason and process was the cost of replanting. Most of the smallholders' rubber trees had past their peak production stage and output from the rubber trees was fast declining. The prospect of replanting was not attractive due to the costs of replanting, of existing high rubber prices and the prospect of losing existing income, however small, did not sit well with small farmers. Bauer, (1946, p. 27) had estimated that by 1964, with no extensive replanting, smallholder production would become insignificant. This further led to smallholders facing poverty, indebtedness and foreclosure. Gradually, smallholders lost their land to other sources of capital.

The third process and reason for the transfer of land from smallholders to new sources of capital was the price of rubber. Thoburn, (1971) noted that the price of rubber had dropped from 227 cents per Pound in 1905 to its lowest of 8 cents per Pound in 1932.

From these processes and for these reasons, accounting and the accountant, traditionally thought to be the passive recording of transactions, is active in the creation of indebtedness among the smallholders of rubber, for without the benefits of accounting records of transactions and the active keeping of records of borrowings and debt, the transfer of land from smallholders of rubber to other sources of capital would not be possible.

To promote the development of the rubber industry, the colonial government provided favourable terms to British capital by providing land and finance for the planting of rubber. The colonial government openly supported and encouraged the involvement of Europeans in the cultivation on large plantations to supply rubber to meet the growing needs of Europe and America, and regarded it to be essentially a western enterprise and therefore worthy of government support (Jackson, 1968, p. 234). Support was given by the colonial government in the form of land, financial assistance, infrastructure, rubber restriction schemes and cheap labour.

British Land Policies

The colonial government was able to attract British capital with a 'liberal' land alienation policy. This policy placed control over land allocation in the hands of the colonial government, thus providing a legal basis for the exploitation of the country's land resources (Abraham, 1976,

p. 236). The application of this policy saw land rents and land use manipulated in favour of estate development, based on the principle that land ownership is ultimately vested in the hands of the state. Effectively, this meant that the ruler of the state could give land to who ever he liked (Li, 1954: p. 84). The colonial government disbursed much of the available land to European planters. Land was leased and granted cheaply, initially free of rent for the first 25 years, and subsequently leased for 999 years. Quit rent was at 10 cents an acre. A low export duty on rubber produce was imposed, not exceeding the 2.5 per cent *ad valorem* tax for the first 15 years, and was to be varied thereafter subject to a maximum of 5 per cent (Barlow, 1978, p. 28).

Some of the other incentives were provided by the Federal Land Code of 1897, under which land could be rented at 10 cents per acre for each of the first 10 years and 50 cents per acre thereafter. Some land was available at special rates such as $1 per 100 acres for the first seven years and $1 per acre thereafter (Jackson, 1968, p. 238; Drabble, 1973, p. 23, Barlow, 1978, p. 28). As a result, land under rubber grew from 40,148 hectares to 815,500 hectares by 1935 (Barlow, 1978, p. 444).

By 1922, 460 British estates were producing rubber which had increased to over 800 by 1930 (Lawrence, 1931, p. 20) and to about 2,500 in 1940 (Knorr, 1945, p. 24). The number of rubber companies involved in rubber production inceased from 24 in 1905 to 600 in 1920 (Gow, Wilson and Stanton, Financial Times, 1906-1920).

By 1940, foreign enterprises owned 74% of the total rubber estate land in Malaya Peng, (1983, p. 38). By 1953, of Malaya's 5.5 million acres under cultivation, 1.9m acres were held by Estates of more than 500 acres. 83% or 1.6m acres of the rubber plantations were in European hands through European-owned estates (Rubber Statistics Handbook, 1953, p. 38). This is summarised in Table One.

Of the total of approximately 5.2m under cultivation, rubber was the most important of all the Malayan products which covered approximately 3.5m acres, half of which were in estates of more than 500 acres. The remaining half was in the hands of small holders. 92% of the rubber estates were more than 1,000 acres, and European-owned rubber plantations controlled 48 of the 628 European-owned estates with more than 5,000 acres. 75% of the ownership in rubber was held by public limited companies, with large shareholders, allowing large-scale operations and easy profitable concentration of control.

Table One. Land under Organised and Community Cultivation in 1953*

	European	***Malay***	***Chinese***	***Indian***	***Total***
Small-holdings	-	1.85	0.80	0.10	2.75
Medium- holdings	0.03	0.01	0.35	0.13	0.52
Estates	1.60	-	0.27	0.05	1.92
Total	1.63	1.86	1.42	0.28	5.19

*in million of acres

Source: Federation of Malaya Rubber Statistical Handbook, 1953, p. 31 and Puthucheary, 1960, p. xvii

Agency Houses in Malaya

Agency firms in Malaya were the means by which new capital took over the rubber smallholder plantations. They were originally merchant houses in Great Britain and in Europe, while some started as planters in Malaya. These agency houses had long standing association with Malayan and Eastern trade. Operating from Penang and Singapore, these agency houses provided the link between what was produced in Malaya and Western markets and Western manufacturers and local consumers. They functioned as buyers of local produce and sellers of western manufactured goods in Malaya. The agency houses retained their complete monopoly of the export-import trade and further maintained their dominant position on the economy of Malaya through their near complete control of a large part of the raw material production, such as rubber. Table Two, shows the external trade of Malaya and Singapore between the period beginning 1899-1921.

Table Two: External Trade of Malaya and Singapore, 1899-1921.

Year	*Export*	*Import*	*Value of Trade*	*Balance of Trade*
1899	239.1	283.9	523.0	-44.9
1900	262.6	314.1	576.7	-51.5
1901	266.6	310.4	576.9	-43.8
1902	301.5	351.5	653.0	-50.0
1903	324.8	390.2	715.0	-65.3
1904	312.5	368.8	681.3	-56.3
1905	283.0	332.2	615.2	-49.3
1906	311.0	339.3	650.3	-28.3
1907	305.3	350.6	655.9	-45.3
1908	273.0	316.0	589.0	-42.9
1909	280.5	312.7	593.2	-32.3
1910	323.5	363.9	687.3	-40.4
1911	338.0	397.3	735.3	-59.3
1912	370.8	449.3	820.1	-78.6
1913	388.9	484.2	873.1	-95.2
1914	331.4	390.6	722.0	-59.2
1915	402.7	436.5	839.2	-33.8
1916	492.3	542.1	1,034.4	-49.8
1917	623.6	646.6	1,270.2	-23.0
1918	616.5	699.5	1,316.0	-83.0
1919	874.8	884.7	1,759.5	- 9.9
1920	1,024.1	1.270.2	2,294.3	-246.1
1921	433.6	502.0	935.6	-68.4

Source: Returns of Imports and exports, Singapore.
Table reproduced from Lee Sheng-Yi, *The monetary and Banking Development of Malaysia and Singapore,* 1974, p. 345, Appendix, Table 2.3

With this, the agency houses came to own and control one of the world's most important industrial raw material, which was rubber. This further led to the creating and growth of shipping, insurance, and banking companies. Monopoly of the entire trade between Malaya and the rest of the world was completely held by Agency Houses. Table Three shows the ownership and control of the rubber, tin, shipping, insurance and manufacturers components of the Malayan economy in 1953.

Most of the rubber plantations, by 1953, were owned and controlled by 20 agency houses. The largest 5 were Harrisons & Crosfield, Boustead-Buttery Estates Agency, Guthrie, R.E.A.-Cumberbatch and Sime Darby, who controlled more than 60% of the total acreage of land under rubber, owned by Europeans. Control was accomplished by concentrations at various levels of activity such as ownership, administration and management. Agency houses were also divided into 3 groups. The first group specialised in imports or exports. The second group were selling agents for overseas manufacturers in Malaya and the third group were 'purchasing agents' for overseas manufacturers.

Table Three: A Summary of the Activities of Agency Houses in 1953.

Company	***Rubber***	***Tin***	***Shipping***	***Insurance***	***Manufacturers***	***Total***
T.Barlow&Co.	18			4	26	48
Borneo Co. & subsidiaries	2	3	4	5	137	151
Boustead&Co.			25	7	47	79
Boustead-Buttery	47					47
Sandiland, Buttery&Co.			1	5	64	70
East Asiatic&Co.	4		1	1	59	65
Guthrie&Co.	21	2	8	8	98	137
Harrisons&Crosfield &Associates	63	3	7	7	50	130
Harper Gilfillan&Co.	25	7	18	5	50	105
Paterson,Simons&Co.	3		6	1	75	85
Sime Darby&Co.	32	3	24	4	117	180
James Warren&Co.	23			2	80	105
Henry Waugh&Co.		5		5	109	119
Plantation Agencies	15					15
Total	253	23	94	54	912	1336

In rubber, control was made possible by managing agencies who supervised the management of estates and by secretarial firms. The board of companies included both of these interests. Of the 266 rubber companies with a total of 1,059, 814 acres registered in the United Kingdom (or sterling rubber companies) and having estates in Malaya, 122 companies with a total of 612,517 acres, had agency-secretaries.

Figure One shows the interlocking system of control that was used in exercising control over the rubber companies. Managing agencies and secretarial firms had substantial financial interests in the rubber companies they controlled. These financial interests took three main forms.

Firstly, the holding of shares in the companies by agency houses and secretarial firms. Secondly, the shares held by rubber companies, controlled by agency houses and secretarial firms in other rubber companies. The third form of financial interests was the share holdings of investment trusts or holding companies.

These interlocking share holdings were a significant method of financing companies planting new rubber trees. British companies became by far the most important owners of rubber land. This was accomplished by wresting large acreages in concessions from a predominantly British Civil Service, who, directly or indirectly, were in control of the whole country. A second reason was that vast plantations run on indentured labour had been a traditional part of British colonial capital enterprise for almost two hundred years.

Thus agency houses became the instruments of financial control for 'independent' companies. About 700 rubber estates, belonging to 350 rubber companies were British owned. These estates were managed by about 20 agencies of which 11 were agency houses. There was also a great degree of interlocking directorships. About 25 directors, some of whom were directors of agency houses, sat on the board of directors of nearly 200 rubber companies, which owned nearly a million acres of rubber in Malaya.

Figure One: Managing Agencies and Secretarial Firms' Interlocking System

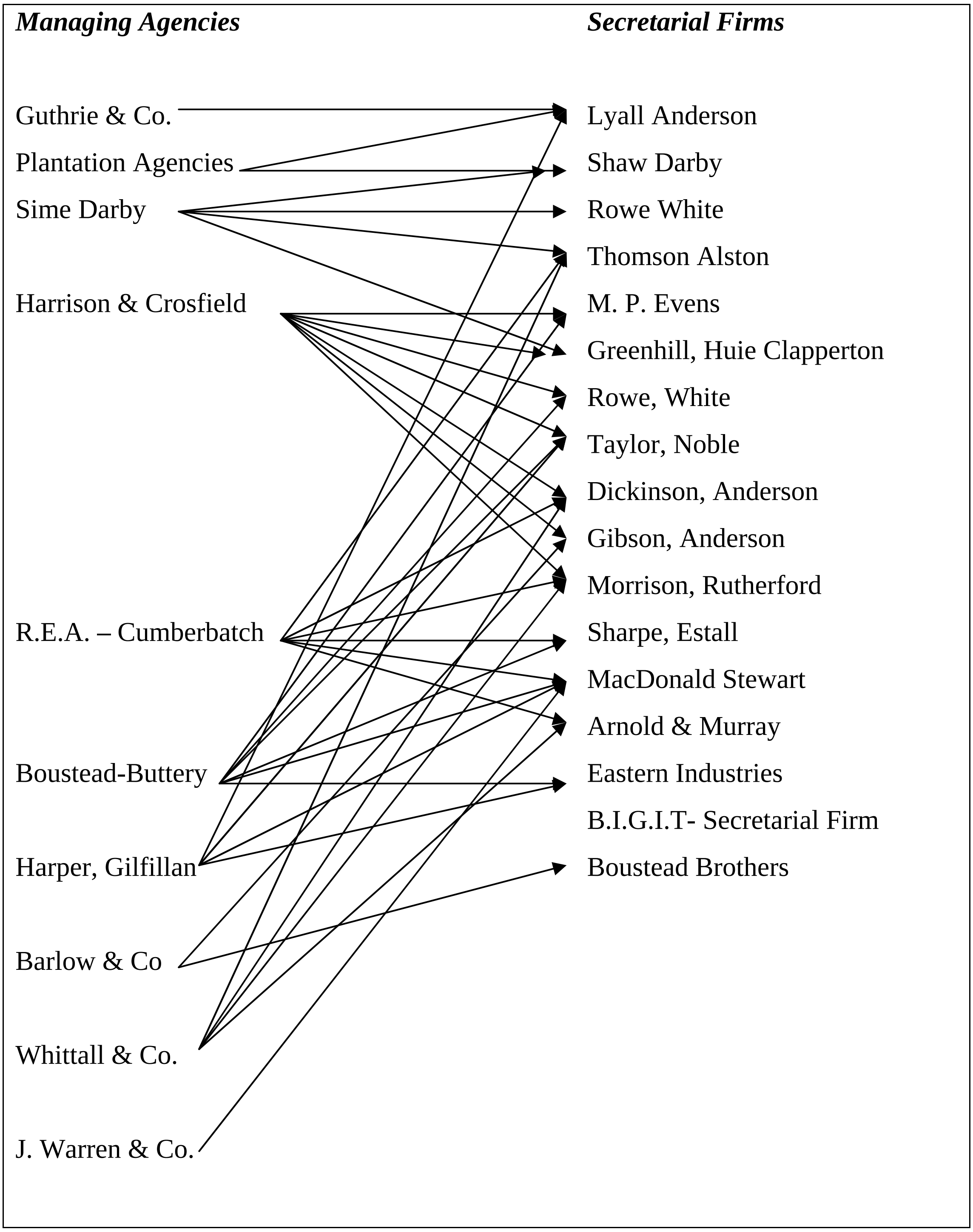

Table Four: The Six Biggest Directors

	Companies	*Acreage*
E. MacFadyen	13	115,000
C. Mann	16	113,000
H.B. Egmont-Hake	12	75,000
T.J. Cumming	12	73,000
J.K.Swaine	17	66,000
H.R. Quarterly	25	63,000
Source: Zorn & Leigh_Hunt. *Manual of Rubber Companies* 1969.		

According to Zorn & Leigh-Hunt *Manual of Rubber Companies, 1969,* the six 'biggest' of these directors were as shown in Table Four.

Most agency houses had their head office and their boards based in London. Initially they were used to acquire European proprietary estates. Later funds were used to buy land which had been planted with rubber by the Chinese and Malay planters and to open up virgin forests. These agencies were also involved in arranging purchases and sales, appointing competent managers, providing managers with general supervision and technical advice. For these services they received a fee on the acreage managed and a commission on the inputs supplied and marketed (Barlow, 1978, p. 31).

The Accounting Tools of Exploitation in Malaya

British imperial expansion was justified by the argument that the purpose was to protect and advance the rulers of the Malay states and their peoples. The reality was however, to develop large-scale mining and plantation agriculture with the assistance of British capital and imported Indian labour.

Sir Ferderick Weld, Governor of the Straits Settlements, wrote:

"We must look to the development of the great resources of the Malay Peninsula for the extension of our trade. It has not a million inhabitants…it ought to have twenty million." (Thio. E., 1969, pp. 5-6).

British presence in Malaya can only be seen as agents of an expanding industrial state that demanded colonial markets and cheap industrial raw materials.

Cheap raw material like rubber required that there were inexpensive processes and factors of production. The mass migration of Indians to British Malaya was thus the result of specific European political and economic needs, and was a planned and directed activity.

Early in the 19th century, soon after the establishment of the Straits Settlements by the East India Company, the British colonial brought in Indian convict labour to develop the colony. The convicts were used largely for public works, the construction of roads, railways, bridges, canals and wharfs (Saggi, 1956, p. 26; Netto, 1961, pp. 17-20). The flow of Indians increased substantially with the colonial government's new needs and the rubber boom after 1905. It is estimated that 80% of the migrants from India were unskilled labourers, almost all of whom were directly or indirectly recruited by European enterprise (Sandhu, 1969, p. 305).

South Indian labour was chosen for four reasons: their proximity, their docility, the presence of British rule in South India and the impoverishment of South Indians. British imperialism had also occupied the Madras Presidency, and created more poverty among the already poor peasant and artisan class, to the point that they were prepared to accept temporary migration to foreign lands.

Recruited mostly from the untouchables castes, the South Indians were probably the most obedient, servile, and subservient labour then available in the colonial world.

Already familiar with British rule, they were prepared to accept the military-type discipline necessary to the success of the system of European plantation. Further, South Indians had never had a tradition of worker solidarity or co-operation and would never be in the position to bargain for higher wages nor the capacity to abandon the European plantations. Besides they were ideally suited for the form of production that had it beginnings with slave labour, and survived only on the basis of bonded labour. With the development of the automobile industry, there was an upsurge of demand for rubber and therefore greater demand for labour.

Between 1907 and 1914, the colonial authorities established a centralised, government-controlled system for the mass recruitment of South Indian labour. All employers of South Indian labour paid a levy for each man-day worked and by 1912, this amount was used to pay all costs (about $29.39 per head) of bringing a ‘free’ labourer from South India to a workplace in Malaya. Most of the recruitment was by *kanganies* (authorised recruiters), who were authorised by individual employers.

A rubber estate that wished to recruit labourers sent a *kangani*, with a form of licence to recruit filled in to the office of the Indian Immigration Department in Penang. The licence is registered and the *kangani* is sent by the first steamer to the depot at Madras or Negapatam and he reports to the agent himself. The *kangani* would then go to his district and would recruit coolies and either brings them down himself to the depot or sends them with some responsible person. Once vetted and if passed as medically fit, are sent to Penang by the agents at the expense of the fund on one of the Immigrant ships.

On arrival and provided it had a clean bill of health, the coolies are kept in the quarantine stations for seven days. Immediately on arrival they and their clothing are disinfected and they are vaccinated and then sent from the quarantine station to the depot, where they are taken over by the *kangani* for the estate for which they have been recruited. Each coolie has a tin ticket with a number on it corresponding to the number of the estate, so that it can be seen at a glance for what estate a coolie is intended (General Labour Committee, 1920, p. 8).

Recruitment was supervised by the Indian Immigration Committee which comprised of representatives of the main government-employing departments and the main private employer groups. Upon arrival, the Indian labourers were subject to a standard monthly budget prepared by this committee.

Exploitation of South Indian Labour

The evidence suggests that a budget comprising of the basic needs of the labourer, comprising of provisions, clothes and other living needs suggests the ability of the British administration in Malaya and employers to manipulate a key factor of production to maximise profits (see also Alagiah, 2004)..

The existence of a budget suggests a detailed plan showing the consequences of an organization’s operating activity for a specific period of time, and a financial model that summarises the future operations of an organization. A budget also allows a range of inferences that can be made, including planning, communication and co-ordination, the allocation of resources, evaluating performance and the provision of incentives. It is also used in the controlling of profits. Thus to maximise profits all management of the rubber companies had to do was to fix labour costs. Fixing labour costs and consumption implies exploitation.

More telling evidence of the exploitative process and the exploitation of Indian labour come from the following observations:

- After 1917, supply of labour exceeded demand with the result that labour had little bargaining power for wages.

- During the prolonged depression of the prices of rubber, during the 1930-33 years, when there was a drop in the employment of Indian labourers on rubber estates, part of the labour surplus of nearly 200,000 workers were shipped back to India.

- The funds for shipping them back to India came from the accumulated resources of the South Indian Immigration Fund. In other words, the employing rubber estates and the British administration did not take responsibility of their payments for their return to India.
- Labour unrest and the cost of unemployment relief was largely unaccounted for.
- The continuing costs of maintaining a permanent reserve army of labour ready to be called for service on Malayan estates were bourne by the South Indian villages.
- The reserve of South Indian labour for opening up the Malayan jungle lay not only because of their cheapness but also in their ready replacement.
- South Indian villages also bore much of the cost of rearing and educating the young.
- The caring for the elderly was also undertaken by the South Indian villages, who when past their productive work, were repatriated to India.
- There was limitation of mobility for employment within the rubber estates.
- Mobility was further reduced by the provision of employer-owned housing.
- Wages remained close to subsistence and bore little or no relationship to rubber prices or company profits.
- South Indian labour was also used as leverage against the demands of Chinese labour, which constantly threatened the system of production.

The necessity for these measures is derived from the fact that rubber production was essentially labour-intensive. European plantation companies extracted a large volume of profit only by the super-exploitation of a large mass of living labour.

The rubber industry, to a large extent was built on variable capital, such as living labour, rather than constant capital in the form of buildings or machinery. Land was acquired cheaply and the rubber plants at equally cheap prices.

Once production began labour amounted to 50-60 percent of plantation costs. European plantations relied on profits not so much on substantial amounts of capital as upon the exploitation of large quantities of cheap Indian labour. It is for these reasons that some companies were able to declare dividends of over 100 per cent as early as 1911 (Drabble, 1973, p. 63).

"Bare-footed, loin-cloth-wearing, betel-chewing, smelly "Ramasamy" was despised by all, except perhaps the European planting fraternity, who regarded him with a mixture of affection and disdain". (Stenson, 1980, p. 29),

Recent comparisons of wages of over the plantation sector, within both the rubber and oil palm sector, within the transport industry sector, including bus drivers and lorry drivers, the tin miners sector, including semi-skilled workers – dredge crew – semi-skilled workers as well as gravel pump mines, and within the electronic industry sector, show that rubber tapers in the plantation sectors received the *lowest* average annual growth rate over a period of 1974 to 1989 of 1.73 compared to all other sectors (Ramachandran and Shanmugam, 1995, p. 397) as shown in Table Five.

Table Five: Wages in Selected Industries, Peninsular Malaysia, 1974-1989

Industry/Occupation	*1974*	*1980*	*1983*	*1985*	*1987*	*1989*	*Average Annual Growth Rates (1974-89)*
Plantation Sector							
Rubber tappers	195	259	279	253	289	339	1.73
Oil palm harvesters	193	308	550	372	427	391	2.02
Transport industry							
Bus drivers	211	313	405	410	422	434	2.05
Lorry drivers	211	313	405	410	422	434	2.05
Tin Miners							
Dredge crew							
Semi-skilled workers	208	229	400	449	460	474	2.27
Gravel pump mines							
Semi-skilled workers	199	420	496	530	535	550	2.76
Electronic Industry							
Production operators	135	275	444	380	470	480	3.55
Source: Ramachandran and Shanmugam, 1995, p. 397							

Basic monthly wages in 2003 was a guaranteed minimum of Ringgit Malaysia (RM) 350 after 55 years of negotiations, where the rate was .90 cents per day in 1948 and increased to RM 3.10 (22 paun) in 1968, to RM 7.90 (10 Kg) in 1988 to RM 10.40 (11 Kg). This is summarised in Table 5, as follows:

Table Six: Increases in Rubber Tappers Basic Wages

Rubber Tappers Basic Wages	
Year	Rm Per Day
1948	90 SEN
1950	RM2.40
1954	RM2.40 – RM2.60
1964	RM2.55 (14 PAUN)
1968	RM3.10 (22 PAUN)
1979	RM4.30 (21 PAUN)
1986	RM7.90 (10 Kg)
1990	RM8.75 (11 Kg)
1995	RM10.40 (11 Kg)
1999	RM11.50 (11 Kg)
2003	Rm12.50 (per task) (Guaranteed Minimum Wage per month – RM350/-)
Source: National Union of Plantation Workers (NUPW), 17th Triennial Delegates Conference, 31 March 2004	

Conclusions

This paper has provided tangible evidence of the use of an accounting tool such as a budget, in the processes of exploitation. From the start, British imperialism took root in Malaya and with British capital, invested in Malaya in the form of agricultural produce. This was particularly so of rubber. Rubber needed labour and this was brought in from South India and upon arrival in Malaya was subjected to a budget, which was then used as a tool in the process of exploitation.

The budget numbers were used by the British plantation companies that owned a large sector of the Malaysian Plantation Industry as a control mechanism over an extremely poor and subservient indentured labour force (mainly from South India).

The budget became a tool no different to what these labourers were used to, i.e. bonded labour practices. If bonded labour practices are considered exploitative, then so too are the budgetary control procedures used by the British Colonial Houses. This paper has provided the evidence of just such exploitation.

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