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**Financial Self-Help Organizations and Social Security****A Review Article**

Norbert Dannhaeuser

Not unlike other areas of interest, efforts at international development have been subject to fashions. The Development Decades after World War II began with an emphasis on community development, which was followed by the technological push (e.g., Green Revolution) in the 1960s. Subsequently, the integrated and basic needs approaches became popular, to be followed in the 1990s by sustainable development. During recent years, special attention has been given to microfinance within the now popular institutional approach, as epitomized by the Grameen Bank and its founder, Dr. Muhammad Yunus, receiving the 2006 Nobel Peace Prize, and by 2005 being declared the International Year of Microcredit by the United Nations.

What should not be overlooked is the fact that microfinance organizations (what Lont calls, financial self-help organizations)<sup>1</sup> have existed for a long time in a number of developing countries without being tied to formal financial institutions, development agencies, or NGOs. Over recent years, efforts by the latter group have increased to introduce their own versions of microfinance organizations among the poor to generate local capital accumulation and investments. Frequently that has occurred in settings which already are served by indigenous self-help organizations, with the result that these compete with the introduced ones or, less negatively, links are established between local organizations and formal financial institutions designed to encourage development.

Lont defines financial self-help organizations broadly as "institutions organized around one or more collective funds originating from contributions made by participants, and which are basically administered by the participants themselves" (13). Indigenous organizations of this kind (e.g., in China, Korea, Indonesia) have received scholarly attention since the 1950s, including by anthropologists. However, Lont's study is one of the very

1 Lont, Hotze: Juggling Money. Financial Self-Help Organizations and Social Security in Yogyakarta. Leiden: KITLV Press, 2005. 292pp. ISBN 978-90-6718-240-9. (Verhandelingen van het Koninklijk Instituut voor Taal-, Land- en Volkenkunde, 221) Price: € 35.00.

few monograph length efforts focusing on financial self-help organizations based on long-term, intensive field research.

Lont chose a country, Indonesia, with a rich tradition of local financial self-help organizations. The field site is an urban neighborhood (*kampung*) in the city of Yogyakarta, south-central Java. The result is a fascinating, ethnographically rich account of the history and currently existing variety of self-help organizations in the community, the manner in which individuals manipulate (“juggle”) their participation in them, and how (along with other resources) they enable individuals to meet their economic and social needs.

The perspective of the author is one of processual anthropology, rather than the culturological one Clifford Geertz developed some time back in the same general ethnographic context (Java, Bali). To Lont, individuals in Bujung (the field site *kampung*) are rational actors who employ multiple tactics in using self-help organizations to reach various, at times contradictory, goals. Through this stream of decisions and transactions financial self-help organizations are created, changed, and occasionally destroyed. This is not an institutional approach, and culture is only rarely employed by the author to account for behavior, such as when he points out the local preference for balanced reciprocity, or that of avoiding shame.

Lont of course encountered difficulties in the field (lasting from August 1997 to August 1998, with some repeat visits between 1999 and 2002). Anyone who has done field research on commercial aspects of a community encounters barriers of distrust and secrecy which time and multiple contacts can only partially overcome. Complicating matters further, many of the self-help organizations in Bujung, especially the financially more successful ones, are operated by women and that in a Muslim context. The research result is especially impressive given these challenges that Lont faced.

The literature has been rather euphoric about the social security function of indigenous self-help organization. It is this widespread optimism that Lont constructs his core research question around: what is the actual (not just assumed) degree to which financial self-help organizations in Bujung serve to alleviate economic and other adversities and deficiencies faced by the population?

In trying to find the answer the author skillfully moves between theoretical issues discussed in the literature and the ethnographic evidence (both qualitative and quantitative) on the ground – putting the ethnographic content into theoretical context and testing the theoretical assumptions by

means of the data from the field. He also helps the reader to get a sense of variety of personal experiences within the overall social context by frequently describing the experience of individuals.

The author traces the history of Bujung (today, a neighborhood of some 5,000 inhabitants) from the colonial period, the communist (PKI) dominated interlude of the 1950s, through the vicious campaign against the PKI in 1965/66. After this wrenching experience, the *kampung*, previously composed of a homogeneously labor/agricultural population, became socially divided due to two immigration waves. One of these consisted of civil servants who settled in the center of the neighborhood (Atas); the other involved poor laborers from surrounding agricultural areas who moved to the periphery of Bujung, Ledok. The former subgroup is wealthier and more seriously Muslim than the latter, but despite these differences they are interdependent communities with Ledok providing political support to Atas and with socioeconomic help at times flowing in the opposite direction. Throughout his work, Lont gives roughly equal weight to both subgroups, although the financially more successful self-help organizations are mainly found in Atas. The history of the neighborhood since the 1960s crises has been one of political consolidation by the government, fighting crime, economic expansion, and in the late 1990s economic decline tied to the Asian financial crisis.

The people of Bujung face a number of adversaries and deficiencies which Lont clusters into sudden and high expenditures (for education, illness, death, etc.) and uncertain income. After illustrating these financial gaps faced by individuals of different socioeconomic groups – day laborers, pedicab drivers, office workers, and so on – Lont addresses the local financial self-help organizations which presumably deal with these crises.

Bujung has a great number and variety of financial self-help organizations. Lont classifies them in terms of two criteria: first, the relative importance of their social over against financial functions; second, the size of the monetary contributions by members – large or small. Most of the organizations with small contributions per meeting are found on the social end; that is, the social and political gain of the monthly (or so) meetings tends to be greater than financial contributions and gain that are involved in participating. Virtually all adult residents of Bujung are members of at least some of these associations. Larger contributions and financial returns are involved in private and especially market *arisan*; that is, rotating credit associations in which “participants make regular

contributions to a kitty which is immediately redistributed to each participant in turn” (ix), the sequence being determined by a lottery, auction, or other means. The financial, rather than the social function, tends also to be of greater importance in public accumulating savings and credit associations (locally known as *simpan pinjam*) in which regular membership payments entail rights by participants to borrow usually at low interest (Muslim proscription against interest is not widespread).

Is the presence of a large variety of financial self-help organizations in Bujung due to diffusion or socioeconomic evolution? Lont’s answer is, both. Learning from self-help experiments of communities outside of Bujung plays a role, but also reduced reliance on landlords as patrons and the expansion of the economy have contributed to the proliferation of different types of self-help organizations.

Lont discusses in this context the problem of trust generation so important in these organizations with defaulting and cheating being always a possibility, even if relatively rare (here the character of the leaders is crucial). Their financial operations are not particularly transparent and to consider these organizations as examples of “grass-roots democracy” (120), as often is done in the literature, to Lont stretches the notion of Western democracy beyond its bounds. At best they represent “Indonesian-style democracy” in which “a small minority of influential individuals make most of the decisions” (121), even if members have a right to express opinions and vote on leadership selection.

The history, organization, operations, and benefits of financial self-help organizations are illustrated by a detailed portrait by Lont of a large, public *simpan pinjam* which draws most of its members from the Atas sub-neighborhood. Of interest is the organizational complexity of the association of 223 members divided into four subgroups, each with its own social and financial benefits and obligations. Of interest is also the social pressure on members not only to contribute, but also to borrow – and this whether they need the funds or not. In fact, the fund was created just as much to serve the social and financial needs of members as it was a political means by community leaders to provide some unity to Bujung which had lost its administrative status as *kampung* years earlier.

What, then, is the social security function of self-help organizations in Bujung, the main question of the study? According to Lont, “it appears that the tendency to attribute a social security function to financial self-help organizations

is somewhat premature” (190); at best, the social security they provide is moderate. After returning to some of the adversaries and deficiencies faced by the local population, Lont shows that these organizations are only one kind of a number of resources – others include moneylenders, banks, neighbors, religious organizations – tapped to deal with financial gaps.

As a means to generate financial capital to meet social security, self-help organizations are mainly indirectly significant. Lump sums are obtained from *arisan* and *simpan pinjam*, but their timing is difficult to predict by members. Consequently, these organizations are principally used as a means to add to savings, as sources for business investments, to serve as collateral for loans from alternative sources, or as means to engage in “on-lending” – using borrowed lump sums to pay off existing loans. All these options encourage the constant juggling of money to deal with financial gaps. Even their role in generating social capital is moderate. Membership in self-help organizations does not guarantee special help from comembers in case of an emergency. Moreover, the social insurance funds of these organizations for medical and funeral expenses are small relative to actual needs.

The question then arises, why do Bujung residents participate in the broad range of self-help organizations if in doing so the security benefits are only moderate, and if it is noted that taking part in them has also its costs in terms of contributions required, time invested, and risks involved of being cheated. Though moderate, net benefits usually are obtained by participants, with individuals differing considerably in the financial over against social gains received. Also the cultural ideal widespread in Java of cooperation (*gotong royong*) and social harmony count, as well as political pressure put on individuals to participate in at least some of the more socially oriented organization.

At the end of his study, Lont turns his attention to two specific issues: the impact of the 1997 Asian financial crisis, and the result of well-meaning attempts made to establish links between local self-help organizations and formal sector financial institutions. Given the impression he received from many informants that they lived at the margins of existence (“they barely had enough to live on”; 200) before the financial crisis, Lont expected that numerous Bujung residents would be thrown into poverty and that many financial self-help organizations would not survive as the crisis took hold locally. This did not happen. Although the Bujung community faced rapid inflation and decreasing

income owing to loss of better paying jobs, most self-help organizations actually flourished. More people used them to discipline their financial and saving behavior, and lump sums occasionally received from them became even more important than before. The resilience of these organizations – and the *kampung* residents – during the crisis can also be attributed to the fact that economic life before the crisis was not quite as “just barely enough” as informants had Lont believe. The crisis merely intensified the need to juggle money, reminiscent of Geertz’s notion of cultural involution. It did not lead to a breakdown of the system into crass individualism or the emergence of shared poverty.

Ever interested in improving the services of indigenous financial institutions, some development agencies and NGOs have argued over the years that, rather than replacing such institutions with introduced ones, they should be linked to the formal financial sector. The hope has been to get the best of two worlds: local commitment and group loyalty, with access to greater financial resources under more professional management. The experience in Bujung along these lines left Lont with a skeptical opinion about these so frequently lauded arrangements.

In Bujung, the linkage group involved local *simpan pinjam* receiving some of their loanable capital from a bank. The two cases examined by Lont soon went (in effect) bankrupt. Lont points to two fundamental problems with linkages of this kind, implying that flaws are far more common than generally admitted. First, the notion of group or joint liability which supposedly motivates members to repay on their loans, is weakened through the linkage because greater sums are involved in these arrangements, making defaults by individuals more tempting despite the shame involved in doing so. By the same token, individuals less sensitive to local social pressure often have more relations with outsiders and, therefore, it is typically such individuals who become leaders in linked systems. Second, if available capital is only derived from local sources – that is, when members borrow from one another – it is more difficult to default with impunity than if much of the capital is derived from an external bank. In sum, the author feels “that the ultimate objective behind linkage projects, that is, increasing integration while preserving embeddedness . . . is an unattainable ideal” (237).

Why do most assessments of linkage projects present such a positive picture about their result? Lont suggests that these assessments are themselves often deficient. Most of them rely on inter-

views or reports of local organizing committees, “the programme brokers who have an interest in a positive evaluation” (238) to assure continued access to cheap credit which can be used for personal profit. In turn, banks and NGOs usually have no means to monitor the “internal monopolization of the provision of loans by the organizing committee” (238). Financial fiction, it seems, helps to perpetuate arrangements which for different reasons locals and members of formal sector organizations find useful to maintain.

In his conclusion, Lont returns to his main finding in order to explain it; that is, why are financial self-help organizations only moderately important in covering the social security needs of Bujung’s population? A number of factors are involved. As these organizations are local, their membership is not sufficiently broad and inclusive to serve as the base of effective medical or accident insurances – alone the social divide between Atas and Ledok does not help in attempts to reach scale. Moreover, some alternatives to cover social security needs are available, risks and needs are not the same for all, and emergency funds are more subject to fraud by their custodians than funds are in *arisan* and *simpan pinjam*. Culture plays a role as well. The context of Bujung in which relations are personal even in the economic sector, contradicts arrangements involving collective insurance that operate through impersonal relations. Furthermore, there is the local cultural preference for balanced reciprocity in which everyone is expected to eventually gain approximately the same. This does not allow for conditions, typical in insurance schemes, in which some members have received funding because of medical or other emergencies and others not because they happen not to have been subject to such exigencies.

Finally, Lont turns to the national level and compares financial self-help organizations in Indonesia (Bujung forming the ethnographic baseline) with the historical development of mutual benefit societies in the 19th century Europe which eventually evolved into national insurance schemes. Why has the European historical experience been fundamentally different from the more recent Indonesian path toward development? Although, as was the case in Europe during industrialization, a strong national identity exists in Indonesia, the government lacks sufficient resources and most Indonesians do not have jobs that earn them a regular wage – both prerequisites for the appearance of mutual benefit associations and national insurance schemes of the European variety. Widespread corruption in the Indonesian public

sector further undermines efforts to establish national insurance programs. Consequently, residents in places like Bujung – and the author implies that there are many such communities, and not only in Indonesia – will have to rely on juggling tactics for a long time to come that involve various financial self-help organizations, as well as other resources, to make ends meet on a daily basis, and to manage adversaries that surely they will face in the future.

This work, though of considerable scholarly and practical importance, is not without some shortcomings. Greater editorial care would have helped. Some of the figures (especially 2 and 3) are confusing to the reader, occasionally citations given in the text do not appear in the bibliography, and Appendix 1 in the text is entitled Appendix A at the end of the book. More significant are certain omissions, even if it is realized that all authors have to set limits of what they cover. Why does Lont not include a more general discussion of how his findings relate to the broad-based, international effort made by the Greeman Foundation, Accion International, and similar institutions in setting up and fostering microfinance organizations under (partial) local control in developing areas? Moreover, the comparison with Europe is of interest, but contrasting the case under study with advanced third world countries and their insurance schemes (Brazil, Malaysia, Mexico, etc.) would have added to our understanding of the Indonesian case. Though occasionally mentioned as wealthy merchants and potential moneylenders in the text, the role of the Chinese in the local market is not addressed (they are not even itemized in the index), nor is the relation of Islam and finance given systematic attention; Islamic finance is only briefly mentioned in a footnote. Finally, it would have been helpful for the reader to understand the actual workings of rotating credit associations (the *arisan*) if several full cycles involving different methods of allotment (lottery, bidding, etc.) had been presented.

These shortcomings – most of which could be addressed in a future edition – should not distract from the fact that this is an outstanding ethnographic study of an institution that, although of great importance in the development field, is difficult to examine through intensive fieldwork. Lunt's success in doing so, and in putting the findings into theoretical context and comparative perspective, should be lauded. Similarly, de-romanticizing some of the characteristics said to be associated with self-help organizations (for instance, their social security role, their democratic

character) and the efforts at linkages with the banking sector will help more realistic assessments of them in the future. Throughout the text, Lont's descriptions and analyses are clearly presented in a well-organized manner without losing the interest of the reader. This is a first-rate addition to the ethnography of Indonesia (especially of Java) and to the understanding of indigenous financial self-help organizations. Anyone interested in Southeast Asian urban conditions and more general development issues will find this work of lasting value.

## Kolonialismus und Geschichte

### Ein Rezensionenartikel

Hans Voges

Einen wesentlichen Bestandteil von Frederick Coopers "Colonialism in Question"<sup>1</sup> bildet die sprach- oder ideologiekritische Untersuchung, die man heute wohl eher geneigt wäre als Diskursanalyse zu bezeichnen, wenn nicht der kritische dekonstruktive Jargon fehlen würde.

Zerpflückt werden einige tonangebende Leitbegriffe der humanwissenschaftlichen Diskussion, die von den Fürsprechern verschiedener Theorieansätze – von den "Subaltern Studies" bis zum "Postcolonial Criticism" reichend – inspiriert ist. Cooper, der selbst ein renommierter Historiker des modernen Afrika ist, präsentiert eine ganze Kohorte von Autoren und Kritikern, die von innerhalb und außerhalb der Völkerkunde Position beziehen.

Cooper vermisst die Stärken und Schwächen einiger tonangebender kulturwissenschaftlicher Richtungen und der in ihrem Rahmen argumentierenden Autoren: Unter den allgemeinsten Positionsbestimmungen ragt zunächst die postkoloniale Kritik hervor, die sich seit etwa 1980 im Gefolge des Edward Said'schen Denkens entfaltet hat. In ihr wird eine spezifisch westliche dominante Geschichtsauffassung auf eine kontinuierlich ausgeübte Unterdrückung, Gewalt und Hegemonie reduziert, die sowohl das Äußere wie das Innere der

1 Cooper, Frederick: *Colonialism in Question. Theory, Knowledge, History*. Berkeley: University of California Press, 2005. 327 pp. ISBN 978-0-520-24414-6. Price: £ 12.95.