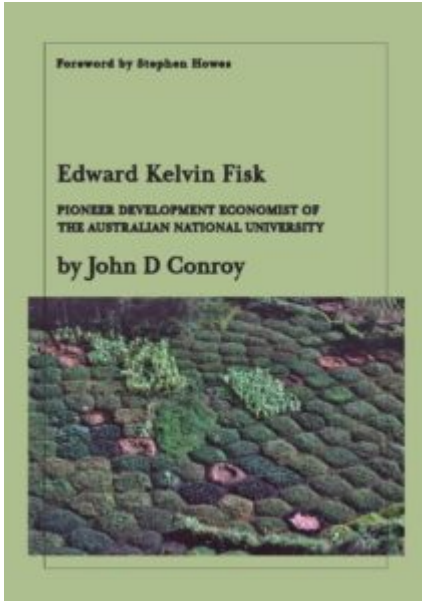


Fred Fisk and “subsistence affluence”: part 1

by John Conroy
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Sweet potato mounds, Lai Valley, Enga province,
Papua New Guinea
Photo Credit: Bryant Allen



Fred Fisk (1917-2009) was an Australian who stumbled into the emerging field of “development” during service as a colonial official in British Malaya. This was after the Second World War, with decolonisation in the air. He served in Malaya from 1948 to its independence (1957) and then as a Colombo Plan economist (1958-1960).

Fisk found his conventional Oxford economic training inadequate for the challenges of development planning, commenting that there was “a misguided view that economists should know about this sort of thing”. Fisk turned instead to the new, emerging literature, “avidly” reading “the works of Agarwala and Singh, Arthur Lewis, Ragnar Nurkse, and Benjamin Higgins”. By late 1960 he was at the Australian National University, recruited by Sir John Crawford to work on “the economics of under-developed areas”. Fisk turned his attention to PNG, and then to the broader Pacific, over a career extending into the 1990s.

Fisk found PNG puzzling — both “special” and “unfamiliar”. Its people had more leisure, more food and appeared “considerably better off” than many Southeast Asians — despite the latter’s much higher *measured* incomes. To explain this Fisk turned to [Ragnar Nurkse](#), adopting his idea of a “saving potential *concealed* in rural underemployment”. This hidden resource, potentially available to finance development, existed because of abundant natural resources in relation to PNG’s population, and because its food production was “[limited by the internal demand for subsistence products](#)”.

“Limited internal demand” is a crucial Fiskian concept, canvassed again later by

Marshall Sahlins in 1972. Sahlins suggested people could experience a kind of affluence when they adopt a “Zen strategy” — allowing them to “enjoy an unparalleled material plenty, with a low standard of living”. Sahlins had intuited what Fisk called “subsistence affluence” — the enjoyment of plenty by reason of wanting little. In economic terms this suggests the existence of surplus labour power. Neither the result of overpopulation nor a low marginal productivity of labour, this surplus was available to increase agricultural production. But it was time-bound; without appropriate policies the surplus would be eroded by population growth.

If Fisk’s thought seems to challenge economic theories founded on neoclassical *scarcity*, we should consider the history of economic speculation sympathetic to his views. There is no direct evidence Fisk was aware of Sahlins or of [Karl Polanyi](#). The latter had asserted that markets result from historical processes, rather than being innately human. But Fisk may have taken comfort from certain eminent economists — including John Maynard Keynes and John Kenneth Galbraith — who were willing to challenge the *scarcity* shibboleth.

Galbraith’s book [The Affluent Society](#) (1958) influenced contemporary economic thought. Then Sahlins’ essay, “The Original Affluent Society”, published in the book [Stone Age Economics](#) in 1972, drew on Galbraith. Galbraith, in turn, had been influenced by Keynes’s book [Economic Possibilities for Our Grandchildren](#), published in 1930, with its utopian promise of escape from the “tunnel of economic necessity”. 1972 was also the year of the Club of Rome’s report [The Limits to Growth](#). Contributing to the rise of environmental consciousness, this gave credibility to strategies aiming to achieving material sufficiency with lower consumption. But speculation about desirable rates of growth was not simply a mid-twentieth century phenomenon, as shown by J.S. Mill’s contemplation of the “[stationary state](#)” in 1848.

After observing PNG subsistence agriculture, Fisk prepared [a model](#) of its transition to market exchange to explain the phenomena he had observed. While he used the diagrammatic tools of contemporary neoclassical trade theory, his underlying assumptions were classical. Fisk saw enterprise, trade and market enlargement as the engines of development, governed by Adam Smith’s principle that the division of labour depends on the extent of the market. But how could markets be created, let alone enlarged, in a non-monetized economy where (to quote [W.E.H. Stanner from 1953](#)) there was only “a simple division of labour, little specialisation, and an undeveloped system of trade”? Fisk’s answer relied on a second Smithian insight — that the economic activity of humans is governed by their innate propensity to “truck and barter”. Papua New Guineans would respond to appropriately designed stimuli, and their activities could be analysed with orthodox economic techniques.

“Appropriate” design required a culturally informed approach — such as Fisk’s incorporation of an important example of PNG “ceremonial” exchange into his model. He followed W.A. Lewis in adopting a dual structure, defining it in terms of “subsistence” and “advanced” sectors, with only the latter monetised. Monetising subsistence required increasing the “utility of cash in consumption”, to stimulate production for the market. [Peter Drake](#) elaborated Fisk’s account, showing how money allowed greater scope for the division of labour, how “indirect exchanges” made possible by money enlarged markets “over space and time”, and how it created “scope for profitable division of labour by production type and by production process”.

Fisk’s 1962 model had shown how to augment hidden development potential in the subsistence sector by simple technological changes. In [a second paper](#) in 1964 he extended the model to a point where the subsistence sector — no longer “pure” but still completely self-subsistent — has evolved to “export” additional cash-earning crops to the advanced sector. Then [Ric Shand](#) extended Fisk’s model to show how traditional foodstuffs could become fully marketable, with some smallholders wholly specialised in “export” agriculture. Shand concluded by suggesting the monetisation of markets for land and labour — unknown in the previous “pure” state — to permit “a greater degree of commercialisation”. These theoretical advances were supported by the practical improvements Fisk made to PNG’s statistical capacity, while Shand directed field trials providing empirical support for the Fiskian hypotheses.

Fisk presented his completed model to international peers in Honolulu (1965) and Bellagio (1973). But while it was substantially validated, he acknowledged that “sharper analytical tools” had superseded it. He particularly admired Chihiro Nakajima’s model of “[subjective equilibrium](#)” in small commercial family farms. This experience was a watershed, drawing a line between his formal theorisation of “affluence” and the later, more pragmatic application of “Fiskian” principles across the span of island Pacific nations. This final period, to 1995, will be discussed in a second blog.

To find out more, read John Conroy’s new book, Edward Kelvin Fisk: Pioneer development economist of the Australian National University, [available free to download](#) from the [Devpolicy website](#). Join us at the [launch of the book](#) by Professor Jane Golley and Emeritus Professor Hal Hill on 14 April 2025 at 5:00 PM in the foyer of the Hedley Bull building at the Australian National University.

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