

Foreword by Professor Ross Garnaut



The informal economy in development

EVIDENCE FROM GERMAN, BRITISH
AND AUSTRALIAN NEW GUINEA

John D Conroy

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The *tambu* (or *tabu* in the orthography of early translators) shell is within the taxonomic family *Nassariidae*. Tolai people of East New Britain gather and process them before stringing the shells in coils whose length determines value.

To Janet, for her patience and love

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Foreword

JOHN CONROY'S *The Informal Economy in Development: Evidence from German, British and Australian New Guinea* makes a major contribution to our understanding of development in the unusual setting of Papua New Guinea. As Papua New Guinea is overwhelmingly the most populous of the countries and regions with mainly Melanesian populations, *The Informal Economy* helps us to understand development in Papua New Guinea's neighbours as well.

The Informal Economy presents a thoughtful and reliably researched account of the economic history of and history of thought about development in Papua New Guinea. It covers the period from early in the colonial era, through to the early years of Independence in the 1970s. It fills an important gap in the literature. Contemporary scholars don't take the economy of Papua New Guinea seriously; nor do they value the essential perspective that economic history and the history of thought provide for understanding contemporary reality. This book does both.

A compelling economic history has to look at its story through a particular lens. Conroy's lens is the absence from Papua New Guinea of what the Faber Mission in 1972 referred to as the informal sector of the economy. The Faber Report, commissioned by the Australian Government two years before self-government, had challenged the economic orthodoxy which had guided colonial

policy for the previous decade. One prominent element of that challenge was a critique of the absence of the economic activity outside regulated businesses and structures that is prominent in much of the developing world. Faber, strongly influenced by one of his colleagues, Keith Hart, had included in the report's recommendations a proposal to promote informal employment and economic activity, as a way of building a more self-reliant economy with more equitable income distribution.

Conroy's lens initially focuses on the separate and different economic histories of several Papua New Guinean regions, showing that commercial exchange amongst Papua New Guineans was less thoroughly absent in the Highlands and the district around Rabaul than in the increasingly prominent capital Port Moresby. The Papua New Guinea Government's efforts to promote informal urban activity after Independence were ineffective. Conroy sees the outcomes as owing much to the absence of the technical and other kinds of knowledge of production and exchange that is essential in the informal economy and which correspondingly inhibits creative engagement with the formal economy. He attributes influence as well to the weakness of economic pressure to break down the barriers to entry into alternative forms of economic activity. Knowledge and pressures changed over time. Time increased the number of people on low incomes and increased pressures on rural living standards. Twenty-first century visitors to the vast, heaving metropolis of Port Moresby see a bigger, more diverse informal economy.

The book is much more than a story of the informal economy. As history of thought, it takes us through earlier perceptions of Papua New Guinea's unusual economic setting—those of economists like Fisk, and scholars like Salisbury, Epstein and Rowley whose disciplinary background is mainly in anthropology and sociology. This brings alive neglected or forgotten insights into the origins of long-standing features of contemporary Melanesian society and economy.

As economic history, the book tells the story of conflicting commercial and development objectives in colonial policy—important in Australian as well as Papua New Guinean history. It describes two big changes in direction of policy: the shift to accelerated growth in preparation for independence from the early 1960s; and the first Papua New Guinea Government's reaction to the realisation that tensions generated by the acceleration were inconsistent with the imperatives of democratic government. A concluding chapter observes that many of the great policy preoccupations of the decade of independence were later to be overwhelmed by powerful factors beyond the reach of policy levers available to governments.

For someone who was deeply engaged in seeking to understand Papua New Guinea development in the years straddling Independence, the book invites reflection on the answers to big questions from that time. Conroy places himself ideologically as a social democrat against the neo-Marxist interpretations of policy choice that were prominent and occasionally influential around Independence. The social democrat thought that a democratic government had some autonomy—so that there was purpose in thinking about and seeking to shape policy in the public interest. The alternative paradigm counselled despair—a country embedded in the international system of trade, investment and development assistance flows is bound in shallows and in miseries.

Is it too early to tell whether the neo-Marxists were wrong at the time of Independence?

Ross Garnaut
University of Melbourne

Acknowledgments

BOOKS HAVE THEIR REASONS. Mine flow from events in late-colonial Papua New Guinea between 1972 and 1975, which I had long wanted to revisit. Ideas have their seasons, but some are durable enough to shape a body of knowledge, changing how we view the world. Economic informality—to which I was introduced by Keith Hart in Port Moresby in 1972—is such an idea. When we resumed our acquaintance in this new century Keith warmly encouraged my efforts to reconsider the processes of ‘development’ in PNG in terms of informal economy. He gave my ideas an early public airing in the Open Anthropology Cooperative Press, even though he had (and retains) reservations about my disciplinary and ideological approach. I am, after all, an economist trained originally in the neoclassical tradition who persists with notions he finds uncongenial—differences canvassed in this book. In part these reflect the separate lenses through which anthropologists and economists view the world. For Keith ‘the ethnographic tradition is a genre of realist writing based on foregrounding people’s activities in the places where they live’, whereas the economist in me practices what he calls ‘a species of thinking, generating ideas about what should be done to solve society’s economic problems’. In failing to reconcile these two modes, ‘the reality of people’s lives [is] often forgotten’. But whatever our differences, for more than a decade

he has been the most helpful and patient of correspondents, during times when he has experienced personal difficulties which would absolve any reasonable person from such effort. I am profoundly grateful for his assistance and tolerance.

I am greatly indebted to Professor Ronald Duncan of the Crawford School of Public Policy, Australian National University, for seeing possibilities in the research proposal I put to him in 2010. Ron supported my application for a Visiting Fellowship in the School. This continued until 2018, and he has been unfailingly patient in waiting for this book. I remain attached to the School as a Visitor and thank Crawford for the access it has afforded me to colleagues and library over the years. Most recently I have been heartened by encouragement from Professor Stephen Howes of the Crawford School's Development Policy Centre. He has helped me bring this project to fruition and made its publication possible. Stephen helped greatly to shape the final product and I am grateful to him for his guidance. I would also like to thank Dr Richard Curtain, who has his own recollections of PNG's late colonial period, for his review of and detailed comments on the manuscript.

I am also indebted to Professor Ross Garnaut for contributing a Foreword to this book, particularly gratifying because of his personal role in events during the self-government and early Independence periods in PNG. Beyond the realms of public policy and macroeconomic management readers may be less aware of his research engagement with PNG from as early as 1966, producing (*inter alia*) studies of rural-urban dynamics in Port Moresby and other towns. Along with co-workers including Richard Curtain, Ross was responsible for empirical work which undergirds my account of the capital's growth during the 1970s.

This project commenced in 2009 when I was invited by Mr Paul Barker, Executive Director of the PNG Institute of National Affairs (INA), to prepare a draft national policy for the informal economy.

I conducted the consultancy for INA and the Consultative Implementation and Monitoring Council (CIMC), whose members included Mr Max Kep of the PNG Office of Urbanisation. By 2010 the resulting document had been shepherded through the National Executive Council by Dame Carol Kidu with her customary patience, tenacity and tact. Subsequently, Busa Wenogo of CIMC took up the task of building awareness of the policy in official circles. He became a tireless advocate for the informal economy, and I was glad to work with him in that task. I owe all these people a debt of gratitude for this experience, and for stimulating me to propose this book to Ron Duncan. I have found other allies at the National Research Institute in Port Moresby, including Dr Elizabeth Koppel and Dr Fiona Hukula, while I continue to benefit from the insights of the sometime street vendor of betel nut, now commentator on national affairs, Mr Martyn Namorong.

During the 1970s in Port Moresby I learned much from contact with senior Australian scholars including Anthony Clunies Ross, EK (Fred) Fisk, Nigel Oram and Charles Rowley and I have drawn considerably on their work for this study. Other contemporaries included John Langmore, the late Bill Standish and Christine Inglis, each of whom has informed my understanding of the period—as also did the former UPNG administrator David Sloper. Among Australian-based scholars of that period I should also mention WR (Bill) Stent and Peter Drake, while later I had the good fortune to meet Ian Hughes, whose insights on traditional trade have been enormously helpful. Among contemporary Australian academics concerned with PNG I have had helpful discussions, suggestions and correspondence with (inter alia) Bryant Allen, Chris Ballard, Michael Bourke, Peter Cahill, John Cox, Robert Cribb, Michael Goddard, Scott MacWilliam, Michelle Rooney and Tim Sharp. Andrew Elek has acted as sounding board for me on many occasions, while Professor John Moses commented most helpfully on materials concerning German New Guinea.

Colleagues in a number of institutions have given me opportunity to test my ideas. Most particularly I thank Dr Nicole Haley of the ANU's State, Society and Governance in Melanesia Program for arranging seminars at which I presented work in progress. A meeting in Amsterdam (International Institute for Environment and Development, Dr Bill Vorley) introduced the work to scholars of Latin America and Africa and permitted a side-trip to Leiden. There I introduced my work on ancient trade between Melanesia and the Malay Archipelago to researchers at KITLV (Royal Netherlands Institute of Southeast Asian and Caribbean Studies, Professor Henk Schulte Nordholt). The Alfred Deakin Research Unit at Deakin University (Dr Jonathan Ritchie) provided another opportunity. I benefited by presenting on hybridity to an ANU workshop (Department of Pacific Affairs, Dr Miranda Forsyth) and was privileged to address research staff of the PNG National Research Institute in Port Moresby (Dr Osborne Sanida). Mr Stephen Taylor of The Foundation for Development Cooperation has kindly hosted my work-in-progress papers online. My close neighbour and friend, the 'Forest Lodge philosopher' Mark Avery, has often obliged me to recast my ideas in more accessible and human terms.

Finally, I express my gratitude to Lydia Papandrea for her meticulous editing of my text and for her flair and taste in its design. Thank you also to Karina Pelling for her excellent cartography.

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Acronyms

ANU	Australian National University
ASOPA	Australian School of Pacific Administration
BNG	British New Guinea
CMB	Coffee Marketing Board
CPC	Constitutional Planning Committee
DC	District Commissioner
DCD	Department of Community Development
DCI	Department of Commerce and Industry
DFCDR	Department for Community Development and Religion
DORCA	Directorate of Research and Civil Affairs
GDP	Gross Domestic Product
GNG	German New Guinea
HCE	Highlands Commodity Exchange
HFSA	Highland Farmers and Settlers Association
IASER	Institute of Applied Social and Economic Research
IBRD	International Bank for Reconstruction and Development (the 'World Bank')
ICA	International Coffee Agreement
ILO	International Labour Organization
LMS	London Missionary Society
MWB	Minimum Wages Board
NHC	National Housing Commission

NSO	National Statistical Office
ODG	Overseas Development Group
OPC	Office of Programming and Coordination
PCB	Production Control Board
PMV	Passenger Motor Vehicle
PNG	Papua New Guinea
SIM	Subscriber Identity Module (mobile phone)
SME	Small and Medium Enterprises
TCP	Tolai Cocoa Project
TPNG	Territory of Papua and New Guinea
UN	United Nations
UNDP	United Nations Development Programme
UPNG	University of Papua New Guinea

Preface

MY EARLY CURIOSITY about Papua New Guinea¹ was sparked by an interest in ‘human capital’, a field of economic research emerging during the 1960s. Demand for formal education had surged in PNG through the 1950s, and in 1961 a plan to achieve universal primary education was announced. This was the last gasp of Paul Hasluck’s ‘uniform development’ policy—overturned on World Bank advice after his departure and replaced by ‘accelerated development’. I was interested in the behaviour of school leavers, on the hypothesis that surging popular demand for education reflected utilitarian attitudes to schooling held by parents and children. These could be seen (in jargon stemming from the Chicago School of Economics) as motivating ‘private investment’ in education. The personal payoff from schooling would be found in formal employment. Searching for jobs was presumed likely to impel young educated rural people to migrate to urban centres, to find ‘white collar’ work. But so rapid was the growth of school enrolments it seemed likely that school leaver unemployment would soon become a national problem—as indeed it did.

¹ More accurately, the ‘Territory of Papua and New Guinea’ from after World War II until 1973, thereafter ‘Papua New Guinea’ (and abbreviated in the text as PNG).

After initial fieldwork in PNG in 1968–69, I joined the Economics department at the University of Papua New Guinea (UPNG). Enrolling in a PhD program under Professor Anthony Clunies Ross I researched processes of education, employment and internal migration, becoming (I think) the only expatriate ever to graduate with a PhD in economics from the university. In the early 1970s most of my colleagues, and virtually all our students, were committed to an ideology of ‘economic development’. This would require a decisive break with the old colonial order based largely on an obsolescent plantation economy. Discontent with race-based inequality had been growing, both in the university and more widely. No coherent dissenting narrative had emerged, however, until a report by the ‘Faber Mission’ in 1972 provided the necessary catalyst. Michael Faber led a team of British consultants commissioned to recommend economic policies for the soon-to-be-independent State. Faber and his colleagues, including the anthropologist Keith Hart, proposed a new program to curtail the World Bank-inspired ‘accelerated development’ program, blamed by many for worsening inter-racial and inter-regional inequality. For reasons of timing, and because of its redistributionist tone, the Faber Report proved very appealing to nationalists and their expatriate sympathisers.

Only a year or two earlier Keith Hart had introduced the concept of economic informality into the international development literature. The Faber Report placed the informal economy at the heart of its strategies for development, urging the facilitation of a host of micro-scale, labour-intensive, *informal* economic activities. These were to be conducted by indigenous people in PNG’s towns, where such economic activity was extremely limited at the time. This proposal appeared to some to offer the prospect of a ‘people’s economy’ challenging the comprehensive domination of the ‘formal’, or regulated, urban economic system by expatriate interests. The Faber/Hart ‘line’ on informality was adopted enthusiastically, if

only briefly, by the new government. Its influence was sustained long enough, however, to inspire the promulgation of a national set of 'Eight Aims' suffused with the idea of informality, and for elements of these Aims to be incorporated into the new State constitution, among its 'National Goals and Directive Principles'.

Meeting Keith Hart in Port Moresby in 1972 I found the idea of urban economic informality compelling, as also was the puzzle of its comparative absence from PNG's few small urban centres. The informal economy, and the innumerable ways in which it manifests in the modern world, has now intrigued me for nearly 50 years. In 1974 I initiated a controversy which sputtered on for a few years in the pages of *Yagl-Ambu*, a small journal of social enquiry published in Port Moresby. Referring to official proposals to create an 'urban informal sector', I wrote critically about the paradox of attempting the *formalisation of the informal*. The subsequent failure of that project was due in part to the misconceptions of its supporters, but also because entrenched business interests and bureaucratic prejudice combined to stigmatise informality as an impediment to 'modernisation'—then still an important strand in development theory and late-colonial opinion.

The Faber Report emboldened the Somare government to bring accelerated development to an abrupt halt and to adopt new approaches to development planning. Coincidentally it fed into an intellectual ferment in Port Moresby, among some academics, politicians and students casting around for alternative paths. This had implications for UPNG, where Marxists or neo-Marxians had secured appointments in some departments, including Law, Politics and Economics, in sufficient numbers to achieve marked changes in their character and orientation. This situation coincided with political activism in the student body and student strikes gave opportunity for radical critiques of university curricula to be aired. In the case of my department, the assault on 'neoclassical' economics as the handmaiden of neo-colonialism was mounted

against ineffectual opposition, with the orthodox economists ill-prepared to meet the intellectual challenge.

Clunies Ross had departed (after several years during which he had voluntarily accepted a 'local' salary—a gesture which inspired no emulation in either the 'radical' or 'orthodox' factions of his department). The orthodox economists lacked intellectual leadership and by 1976, my last year at UPNG, their numbers were finely balanced against those of the radicals. Curriculum innovation had proliferated, with many of the standard tools of analysis for public policy work neglected. Some students were rendered indifferent, even hostile, by Marxian denunciations of neoclassical economics while others were confused by dissonance and the denigration of opposing viewpoints in the teaching they received. Ross Garnaut observed later that the assault on orthodox economics at UPNG had 'not produced political radicals; rather, it has encouraged students to be cynical about Papua New Guinea politics, diverting some of the best young people away from concern for egalitarian and rationalist political objectives and denying present leaders who have followed these objectives the political support they might otherwise have received' (Garnaut 1980, 447).

Because they will recur in the course of this study, I should mention some of the currents of thought swirling in ideological debate, in and beyond UPNG, as self-government and Independence approached. Some voices came from a loose group styled (by one radical) as 'colonial apologists'—though less pejorative terms, including 'modernisers' or 'gradualists', might fairly be applied to many of its members. They included appointed members of the colonial legislature, colonial officials, representatives of business and planter groups, and academics whom the Australian administration was accustomed to call upon for advice. Broadly, these tended to support the World Bank's 'accelerated' policy framework, and its elaboration in the colonial administration's first comprehensive *Development Programme* (TPNG 1968).

Criticism of official policies came from several sources. Members of the nationalist and pro-Independence Pangu party were disturbed by the distributional consequences of accelerated development and resented the highly managed character of policymaking (conducted by the Australian Department of Territories and described below as the ‘preparatory project’). Impatient with the rate of ‘indigenisation’ of the bureaucratic and private sectors, Pangu was critical of forms of social and economic discrimination experienced by its (largely) indigenous membership. Aside from expatriate control of the ‘commanding heights’ of the private sector (and much else besides), a more immediately sensitive issue was wage differentials applying to expatriate and indigenous public servants from 1964. These distortions were dramatised during the preparatory period, when rapid promotion of ‘locals’ to higher ranks of the service commenced. Many of these concerns had been aired by critics such as Ron Crocombe (1968, 1969), Pike Curtin (1965, 1968) and the young Tolai nationalist John Kaputin (1969) in the pages of *New Guinea* magazine (edited by Peter Hastings). There they were challenged by academics close to the planning processes, including ANU economists Heinz Arndt (1969), Fred Fisk (1969) and Ric Shand (1969).

Another identifiable group of critics was composed of UPNG students and academics attracted by the ideology of Julius Nyerere’s ‘Tanzanian Socialism’ (Nyerere 1968). Subsequently it became clear that even members of the Faber team were not wholly exempt from this enthusiasm. John Momis and Bernard Narakobi, associated with the Constitutional Planning Committee (Ch. 26), provided self-consciously ‘Melanesian’ perspectives. The latter’s newspaper columns were influential (collected in Narakobi 1983), as was the student leader Utula Samana (1988). Other radical critiques came from scholars influenced by 1970s Marxian thought—‘dependency’ theory and/or a contemporary French strand of Marxism. These influences should not to be dismissed as ivory tower theorisation

because the universe of PNG politics was quite small enough to permit the ready circulation of ideas, and of academics (as political advisers and technical consultants) between the governmental and academic cultures. Meanwhile, some of their graduating students were being advanced rapidly into senior government and other statutory posts.

Fred Fisk's ideas were seen in radical quarters as the embodiment of neoclassical economic dogma. His concept of *subsistence affluence* was influential in Australian policy and planning for PNG during the 1960s and early 1970s, and had become incorporated (in vulgarised form) into the late-colonial bureaucratic consciousness and vocabulary. It was in this context that members of the Faber team were introduced to the 'Fiskian' orthodoxy. Critics influenced by contemporary French 'structuralist' Marxism and its anthropological correlates saw Fiskian economics as colonial apologetics, serving to justify the preservation of a 'traditional mode of production' and thereby to sustain the exploitation of rural labour by international capital. Another, related Fiskian notion—that of rural development as involving a *transition* from subsistence agriculture to market exchange—was seen in a similar light. The 1970s debate on the urban 'informal sector' in *Yagl-Ambu* had turned on whether Fiskian affluence could be adduced to explain the absence of any significant urban informal economic activity in late-colonial PNG. That matter will be revisited in later chapters.

Another theme of the ideological debate inspired by 1970s French structural Marxism concerned whether an indigenous class structure could be discerned within traditional PNG 'social formations'. Presumed forms of traditional, hereditary leadership were asserted as providing the base for an incipient capitalist class. This emphasis on *ascribed* status was at odds with the earlier position of many Melanesianists—amounting to something like consensus by the beginning of the decade—who had accepted

the importance of personal *achievement* in determining leadership status. The appearance of a new, 'capitalist' class whose status rested on principles of ascription, rather than achievement, would have implications for new forms of social stratification and wealth distribution as growth occurred in monetised economic activity. Countering such elitist tendencies would require mass mobilisation and political education. Radicals had some cause for optimism since student strikes had shown a potential for mobilisation, as had the emergence of widespread and spontaneous organisation for local-level 'development' during the 1970s. Such popular manifestations, often driven by young people returning to their rural homes after experience of tertiary education, appeared to flow from a mix of idealism and the personal ambition of some local leaders.

I left UPNG at the end of 1976 and (after a brief teaching stint at the University of Chicago) spent the next four years as Director of IASER (the PNG Institute of Applied Social and Economic Research, lineal ancestor of the current National Research Institute) before taking up an ANU appointment in Indonesia. After eleven years in Port Moresby the Indonesian experience enabled me to view PNG from a new, comparative perspective. It helped me to understand striking differences between two stylised entities which, in subsequent writing, I have called 'Monsoon Asia' and 'Melanesia'. Most relevant for the purposes of this Preface was the opportunity Indonesia gave me to observe the operations of a sprawling bureaucracy and a huge and complex informal economy, as well as gaining some sense of the myriad rural-urban interactions occurring within that informal economy. This experience is still the benchmark against which many of my judgements about informality in PNG are made.

In Australia in 1991 I was appointed to lead a small, privately funded development research institution operating in the relatively new fields of microcredit, microfinance and *financial inclusion*. This gave me opportunity to observe livelihoods of the poor in most of

the countries of South, East and Southeast Asia, as well as in many of the small island states of the Pacific. In retrospect I realise my attraction to financial inclusion stemmed from an abiding interest in economic informality. Among many things, poor people need access to an appropriate suite of financial services to support their economic activities—which are invariably informal—and to ‘smooth’ their consumption in the face of fluctuating incomes. But after 2009 I walked away from microfinance, disillusioned by the trend towards its ‘financialisation’ as simply another asset class for Wall Street investors (Conroy 2010b). This was both a consequence and a symptom of larger systemic forces underlying the global financial crisis of the period.

The puzzle of PNG’s missing ‘urban informal sector’ had continued to intrigue me and I realised that this phenomenon was not confined to PNG but was perhaps more generally applicable in small island states of the Pacific. More broadly, I wanted to write an account of *the idea of informality* in relation to the ideology of ‘development’ which had taken hold after World War II, and to set this in the context of colonial economic history. I started to reacquaint myself with PNG, thanks to the opportunity in 2009 to prepare its national policy for the informal economy (Conroy 2010a). This was adopted by the PNG Government due to the tireless efforts of Dame Carol Kidu. I hadn’t visited an urban marketplace in PNG between 1980 and 2009 but this assignment revealed an astounding increase in the quantity, range and quality of fresh food produced and distributed within the informal economy, putting food on almost every dinner table in Port Moresby and other towns. I also discovered the evidence of emerging national markets for some crops produced informally by smallholders, and signs that the ‘producer-sellers’ who used to dominate PNG marketplaces were giving way to specialised traders and distributors. This study is my attempt to view the economic history of the colonies which came together to form the modern state—German, British and

Australian—and to interpret their history through an informal economy lens. In an Epilogue I have taken the opportunity to consider changes in the economic environment of Papua New Guinea since its Independence in 1975, and the implications of these for economic informality in the early twenty-first century.

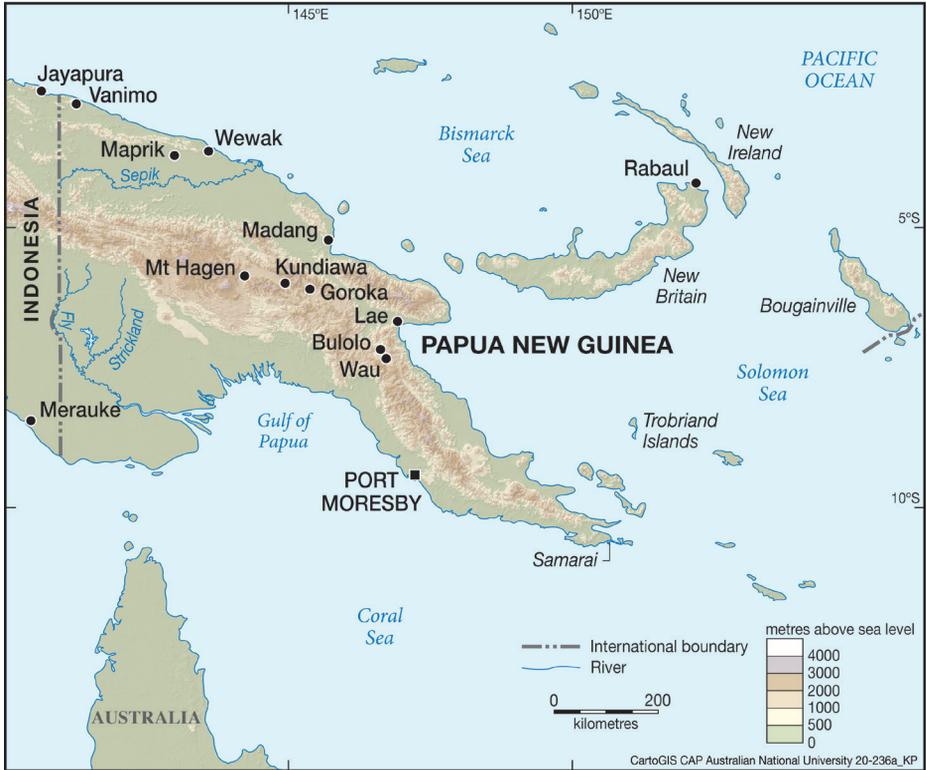


Figure 1: Modern PNG with major urban centres

PART A

**ECONOMIC
INFORMALITY: AN IDEA
AND ITS RELEVANCE TO
MELANESIA**

CHAPTER 1

Introduction: An ‘informal’ economic history

THIS NARRATIVE STANDS APART from more conventional economic histories because it is framed through a very particular lens provided by the idea of an *informal economy*. So far as possible it is presented from the perspective of *popular* economic activity rather than the more common colonial vantage point—the commanding heights of an alien and intrusive economic system. The study is organised around the notion of a *transition* by Melanesians from subsistence economy to market exchange, impelled by their introduction by Western colonialism to the monetised market economy. The island of New Guinea was divided between three European powers in the last quarter of the nineteenth century, with German New Guinea in the northeast quadrant, British New Guinea (later Australian Papua) in the southeast quadrant, and with Dutch New Guinea occupying the western half of the ‘big island’ (Figure 2).

During the colonial period Melanesians were relatively quick to enter into monetised exchanges similar to traditional utilitarian barter, and later also into formal indentured employment. However,

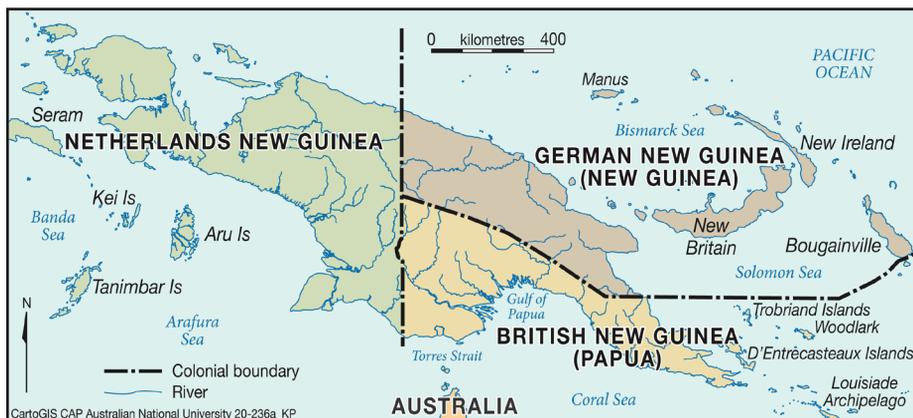


Figure 2: The German, British and Dutch New Guineas

restricted by what WEH (Bill) Stanner called ‘a simple division of labour, little specialisation, and an undeveloped system of trade’ (Ch. 27), Melanesians proved generally unable either to initiate or to engage in more complex market processes. This incapacity constrained their productive engagement with the market economy and retarded the transition from subsistence.

Colonial actors in what is now Papua New Guinea (PNG) included imperial administrators, together with traders, colonists and missionaries, and foreign ethnic minorities introduced as functionaries and intermediaries. Important as these actors were, their influence is less central to this account than what Keith Hart (speaking of West Africa) called ‘the massive impediments to growth that originate in local material and social conditions’. The lens of informal economy derives from Hart’s observations of the livelihoods of African rural-urban migrants in Nima, a suburb of Ghana’s capital Accra, during the latter part of the 1960s. The reification of their activities as occurring in an urban *informal sector* was a coinage of the International Labour Organization (ILO), applied in a subsequent study of employment issues in Kenya. Events soon gave Hart opportunity to compare his Ghanaian experience with the circumstances of late-colonial PNG, as a member of

the 'Faber Mission'. This was a consulting team contracted to recommend economic policies for the soon-to-be-independent State. Hart and his colleagues visited PNG in 1972 at a crucial moment in its history; he would later describe the experience as 'decisive' in his thinking.

This study considers the introduction of colonial-era Melanesians to a completely unaccustomed experiential environment—*the market*. I employ this construct while accepting the conclusion of a scholar of Melanesian economy, Benediktsson (2002, 4), that 'no social group has ever taken commoditisation to its logical extreme, fully excluding non-economic aspects from economic relations'. My discussion occurs in reference to various historical periods and places, reflecting my understanding of how *the market* manifested in the prevailing German, British and Australian colonial systems. This requires some discussion of contemporary economic orthodoxies in each of the three New Guineas governing the conduct of introduced economic activities and relationships. The reactions of indigenous Melanesians to colonial bureaucratic pressures flowing from these orthodoxies are represented here by a metaphor of *pushback*. This provides a dynamic element in the study, whose novelty lies in framing the account in terms of formality and informality in economic affairs.

Consisting for the most part of the examination and reinterpretation of standard texts, the work is presented with little pretension to historical originality beyond that framework of formality and informality. Certain writers of the late colonial period deserve reconsideration because of their continuing value for our understanding of the era. These include the historians Rowley and Oram, and anthropologists including Salisbury, Hughes, Finney, Stanner, and the Epsteins, all of whom informed contemporary debates about PNG's preparedness for Independence. Certain economists, also now relatively neglected, helped frame post-war debate about economic development policy, whether in PNG (the

Australian economist EK Fisk and his school), or beyond Melanesia, economic theorists in the classical mould (including Peter Bauer and Hla Myint).

Discussion of the interface between economics and anthropology impels us to examine the confrontation between two defining logics, each supporting radically different understandings of economic processes. These logics are, first, a *Smithian* worldview (embodied in colonial ideology) which saw in humanity a universal propensity to 'truck and barter'. Second, there is a *Maussian* logic of *The Gift*.² Described by Chris Gregory as the exchange of inalienable things between non-alien, *The Gift* influences Melanesian behaviour profoundly. Adam Smith's economising instincts are at odds with such exchange, conducted (as Mauss put it) 'in ways and for reasons other than those with which we are familiar from our own societies'.

Of particular importance to the narrative is a conundrum which suggests a particular singularity in Melanesian economic behaviour. Evidence of this appeared during the Faber Mission's visit to PNG, when Hart observed that informal economic activity such as he had documented in Ghana was very largely absent from PNG's few small urban areas. This absence of informality caused the Faber team to recommend measures to encourage the growth of an urban informal economy in PNG. But the dearth of informality was symptomatic of that deeper *incapacity* described in 1953 by Stanner (above). This constrained popular engagement with the market economy throughout the colonial period and was still evident at Independence. It is argued here that this incapacity was significant among what Hart called the 'impediments to growth' originating in 'local material and social conditions'. Melanesians would be slow to overcome this handicap, whether in formal or informal modes of market economic activity.

² The allusions are to Adam Smith (*Wealth of Nations*, 1776) and Marcel Mauss (*The Gift*, 1925).

Hart's construct of informality cannot be applied to traditional (or pre-market) forms of exchange such as occurred in pre-colonial PNG, for it had no salience there. It becomes salient only with the commencement of market exchange, with the introduction of bureaucratic regulation, and with efforts by traditional subsistence agriculturalists to accommodate themselves to the modalities of markets. Such attempts at accommodation in many countries have routinely thrown up economic informality, as indigenous people grapple with unfamiliar market norms and bureaucratic strictures. It is also common for the experience to induce *hybrid* behaviour among them. *Hybridity* occurs in situations where introduced market dealings sit uncomfortably alongside traditional norms, with one apt to compromise the other. The anthropological literature provides many instances of such hybridity in colonial-era PNG, some of which are examined in later chapters.

Instances of economic hybridity in Melanesia may be seen as arising from clashes between the *Smithian* and *Maussian* logics. An earlier analogue of this was seen in interactions on the western fringe of historical Melanesia, in the present-day territory of Indonesian Papua. There, Asian pre-colonial commercial norms—represented in the behaviour of travelling Malay and Chinese peddlers—rubbed up against the ceremonial exchange of Melanesian 'Papuaans'. The Dutch historian van Leur described a pre-colonial system of Asian mercantile capitalism with its own conventions of bureaucratic regulation and market exchange. In this system travelling peddlers—cast here as historical forerunners of modern informal 'micro-entrepreneurs'—were a dynamic element. They failed, however, to inspire significant emulation among indigenous Papuaans. Van Leur should be seen as one of a number of 'precursors' of the idea of informality, each of whom anticipated Hart's observations and analysis to some degree.

Confrontation between market economy and traditional exchange also occurred later, more emphatically, in the experience

of colonial PNG. Its territory was located in the eastern half of the island of New Guinea, contiguous to modern Indonesian Papua. PNG emerged as an amalgam of Melanesian regions subject variously to German, British and Australian colonial control over the century to 1975, the year of its independence. Encounters between colonial market economy and traditional exchange are recounted here in an analytical framework of formality, informality and hybridity, applied to three case-studies set in the major colonial centres of Port Moresby, Rabaul and Goroka. These document the transition from subsistence economy to market exchange occurring in and around the towns.

Rabaul and Goroka were 'lucky' places enjoying favourable resource endowments and other advantages, whereas Port Moresby was located in an economically unpromising zone and struggled to make its own luck. Rabaul had the additional advantage of an immigrant Chinese population. Recruited as artisans and intermediaries by colonial capital, many Chinese quickly became independently employed and demonstrated the entrepreneurial energy of monsoon Asia to Rabaul's Melanesian population. The case studies offer instructive comparisons between German and 'Anglo' (British/Australian) colonial ideologies, and their consequences. Since colonial regulatory and normative frameworks were derived from ideologies imposed by the European powers there is also some discussion of imperial understandings of 'primitive' economic systems, and of how these influenced colonial economic policy.

In the late colonial period, after the Pacific War, an ideological transformation occurred in the newly unified Australian 'Territory of Papua and New Guinea'. The economic sub-discipline of 'development', whose origins are traceable to the eighteenth century and the classical economist Adam Smith, re-emerged in a decolonising world after having been eclipsed by a 'neoclassical' economics more concerned with allocative efficiency than economic

growth. While before the war the dominant ideology had been one of extractive, *commercial* development, in the post-war era of Bretton Woods and anti-colonialism the Government of Australia adopted an ideology for PNG based on notions of *economic* development. My account examines the implications of Hart's idea of informality for economic development, and considers how the new development orthodoxy both shaped informal economic behaviour and was itself reshaped by a dawning understanding of informality's significance in the development process.

Economic development in PNG was to be implemented under a rubric of *trusteeship*—the 'guardianship' of indigenous peoples by the colonial power. Among the obstacles to development was a lingering colonial legacy of social and economic obsolescence. This was sustained by entrenched attitudes, effectively hostile to the emergence of a committed indigenous urban workforce and the very notion of a Melanesian urbanism. The bureaucratic application of the new, post-war ideology in the regions of Rabaul, Goroka and Port Moresby, and the interactions between official policy initiatives and the *pushback* of indigenous peoples, are recounted here.

As the inevitability of PNG's Independence impressed itself on the bureaucratic mind, governmental processes became more self-consciously 'preparatory' and efforts were made to quicken the pace of development. An account is given of this preparatory period, and of economic policymaking during the term of the first (pre-Independence) Somare government, influenced by (among others) the Faber Mission and Keith Hart. Political change and redistributive (or economic nationalist) policies created opportunity for some indigenous entrepreneurs to flourish in the *formal* economy, although their rise displayed relatively little resemblance to Joseph Schumpeter's model of creative entrepreneurship. The Faber-inspired attempt to encourage economic *informality* failed, however, in part due to the 'entrenched attitudes' mentioned above. To understand the rise of formal indigenous enterprise this study looks

to Baumol's conception of negative forms of entrepreneurship and to North's institutionalist account of 'stumbling blocks' on a path requiring actors to transition from 'personal' (i.e., Maussian) to 'impersonal' (Smithian) modes of exchange. As to *informal* economic activity, understanding the reasons for its failure to flourish is among the purposes of this book.

The experience of this last period, in which the idea of economic informality was briefly at the centre of political rhetoric, offers insights into an economic malaise which subsequently overtook the young independent State. During a late twentieth-century period of stagnation there seemed little reason to expect that the impediment to economic development represented by the incapacity of Melanesians to engage with processes of specialisation and exchange would be overcome. However, in a twenty-first century Epilogue it is suggested that evidence of new, specialised indigenous intermediaries, active in urban marketplaces and regions of production, may give hope for a more creative Melanesian participation in 'the market' in future.

A note on the structure of this narrative

The study is organised around three historical periods, seen through the experience of three towns. The chosen periods are the early colonial (up to the outbreak of World War II), the late colonial (to self-government in 1972) and an 'Independence' period (1972 to 1975, but with some necessary treatment of subsequent events). These are the subjects of Parts B, C and D of this book, respectively. For each period, accounts of events in the three regions are presented in parallel. Readers requiring a continuous narrative for any one region will find it by skipping through the chapters, although this will diminish their opportunity to see correspondences and contrasts among the regions in each historical period.

CHAPTER 2

Keith Hart and the idea of informality

THE IDEA OF INFORMALITY relates to economic activity, described in terms of *formality* and *informality* and conducted in the context of market exchange. Although informality in economic life may be observed in a wide range of economic and social formations this study focuses on the circumstances of emerging or ‘developing’ states, with particular reference to PNG. Keith Hart has described the genesis of the construct, and its widening frame of reference:

‘The informal economy (or informal sector) became current in the early 1970s as a label for economic activities that escape state regulation. It arose in response to the proliferation of self-employment and casual labour in Third World cities; but later the expression came to be used with reference to industrial societies, where it competed with similar epithets—the “hidden”, “underground”, “black” economy, and so on’ (Hart 2010, 142).

In terms of this broader application, Hart identified a study by Pahl (1984) as among early efforts to apply economic informality to advanced industrial economies. Having begun simply as ‘a

way of conceptualizing the unregulated activities of the marginal poor in Third World cities', informality became generalised as 'a universal feature of the modern economy'. Activities 'as diverse as home improvement, street trade, squatter settlements, open source software, the illegal drugs traffic, political corruption and offshore banking' could be seen as united under the same banner (Hart 2004).³ This expansive formulation encompasses both the urban poor in their slums and wealthy Australian clients of Panama City legal firms. Such broader applications are beyond the scope of this study, which remains focused on Hart's early concern for emerging politics and on the relationships between economic development and informality ('the unregulated activities of the marginal poor').

Consistent with Hart's original, 'Third World' context, PNG was among the first countries to which he applied a formal/informal framework. This occurred in a report on economic policy, prepared for the soon-to-be-independent Government of Papua New Guinea (ODG 1973). It drew on his initial description of the phenomenon in early-independent Ghana (Hart 1971, 1973) where he had encountered what the ILO (1972) subsequently styled an 'urban informal sector' or what Hart himself later termed an 'early-modern street economy' (Hart 2004). As Hart recalls, 'for me formal and informal income opportunities were always joined at the hip, not a separate sphere called the informal sector or economy'. Whatever the labels, his intention had been (and remains) 'to make informal activities visible' and—employing an anthropological lens—to insist on the formal and informal as 'a dialectical pair defining each other reciprocally' (Hart, personal communication

³ Much of Hart's published work is freely available at <http://thememorybank.co.uk/keith/> where it is presented in scrollable format, without page numbers. For ease of reader access these online sources, rather than the print originals, are generally cited here. In the case of direct quotation from materials available only in print or via pay-walls the citations give page references.

with the author, 18 May 2020). It will be necessary to consider Hart's initial account of informal economic activity, as observed in 1960s Ghana, before examining his later attempt to apply it to late-colonial PNG. But first some further explanation of the nature of economic informality is needed.

The growth of market exchange in an 'underdeveloped' region has typically been associated with the imposition of bureaucracy, which creates rules to give *form* to its own activities and to those of the regulated. In this way market activity becomes enumerated, and the status of being enumerated is a crucial marker of formality. The nature of bureaucratic frameworks and activity (as informed by a dominant economic orthodoxy) substantially determines the character and designation of economic activities as being either formal or informal. In many instances of informality discussed here, a metaphor of *pushback* is employed to describe how informal economic actors react against bureaucratic regulation. Informality challenges bureaucracy by failing to *conform* with bureaucratic prescriptions. If that were all, informality in economic life could be defined simply in terms of opposition to the processes of formal economy.

Conformity is not simply a matter of obeying regulations, however, since it also involves broad acceptance (or the 'institutionalisation') of the particular set of norms and ideas underpinning a bureaucratic culture. What was referred to above as a 'dominant economic orthodoxy' is likely to be present and identifiable—whether explicit or not—in any given set of circumstances. The account here of economic informality in PNG will pay attention to the relationships between distinctive colonial economic orthodoxies, the action of bureaucracies informed by those orthodoxies, and the reaction of individual economic agents to such circumstances. In this framework of analysis informal economic activity is seen as occurring outside the strictures of bureaucracy, as possibly transgressing its requirements and

perhaps also signalling authorities' failure to secure popular acceptance ('institutionalisation') of the necessary bureaucratic and cultural norms. But while informal actors may be able to avoid certain obligations, they must also forgo some of the advantages of conformity, such as the security which flows from operating in a predictable bureaucratic and normative framework. Such nonconformist actors are 'denied the institutional protection of state bureaucracy' (Hann and Hart 2011, 113), an insight Hart attributes to Clifford Geertz (1963b).

If this explanation seems to set up a dialectic, a formal/informal antagonism, this is not inevitable. Hart has remarked that:

'It would not be hard ... to conceive of this dialectic as a war waged by the bureaucracy on the people, allowing informal economic practices to be portrayed as a kind of democratic resistance. Yet, however much we might endorse the political value of self-organised economic activities, there are tasks of large-scale co-ordination for which bureaucracy is well-suited; and the institution's origins were closely linked to aspirations for political equality, even if historical experience has undermined that expectation. So the task is ... to find practical ways of harnessing the complementary potential of bureaucracy and informality ...' (Hart 2008a, 4).

Little evidence of this 'complementary potential' was apparent in Hart's original account of an informal economy in Ghana, where the formal/informal duality was reinforced by bureaucratic action impacting actors differentially. Between 1965 and 1968 Hart conducted fieldwork in Nima, a slum neighbourhood of the capital, Accra (Hart 1971, 1973). This was at the end of the Nkrumah period and during its immediate aftermath. In terms of *dominant orthodoxy*, a 'national bureaucracy' held sway, imbued with notions of economic development driven by state corporations. Living in the slums of Nima, and denied the *institutional protection* of

this system, residents ‘were excluded from (and victimised by) the state’s monopolies [and] were busy making lives for themselves in the cracks between’ (Hart 1994). This description serves to remind us that the idea of an informal economy emerged from, and is a critique of, the idea of ‘economic development’.

Hart’s discussion of bureaucracy began with Hegel’s contention that ‘society ... should be managed by an educated bureaucratic elite in the national interest’, and he noted that Max Weber had ‘recognised such a synthesis in Germany’s historical experience of the alliance between Rhineland capitalists and Prussian bureaucracy’ (Hann and Hart 2011, 30). The imperial bureaucracy offered institutional protection to corporations in an ideological framework described by Hart as ‘national capitalism’. To repeat an assertion made above, he sees bureaucracy as an essentially positive construct, ‘invented as part of a democratic political project to give citizens access to what was theirs by right’, although commenting that it too often operates as ‘the negation of democracy’ (Hart 2004). In nineteenth-century European colonies Weberian bureaucracy was associated with the growth and elaboration of market exchange and the construction of institutions for its conduct and regulation, but without any necessary democratic engagement of the colonised. Most often it involved the state’s extending bureaucratic protection to metropolitan capital, to the detriment of emerging indigenous enterprise. This proposition will be examined later, in the historical circumstances of PNG. There the predecessor colonies, German, British and Australian, were all bureaucratised entities. Indeed, as subsequent chapters will suggest, German New Guinea was the very model of a Weberian bureaucracy, directed from Berlin, and its Australian successor regime retained the Teutonic regulatory system to a remarkable degree.

Returning to Hart’s experience in Ghana, he found that in Nima 40 per cent of active males and virtually all females were ‘not touched by formal employment’ (Hart 1973, 63). Among the

Frafra, an ethnic group of rural-urban migrants with little Western education and limited formal skills, most men got by on wages from unskilled jobs, earnings from self-employment and what he called ‘private transfers’—money or other support received from familiars. Hart observed high levels of ‘unemployment’ among the Frafra (in the then conventional sense of non-participation in regular ‘waged’ jobs). Those with such jobs were inadequately paid, so that multiple job-holding (‘moonlighting’) occurred routinely among waged (that is, formal) Frafra workers. These men resorted frequently to additional, non-wage, sources of income.

Frafra without access to ‘formal’ employment subsisted on earnings from casual employment, and by self-employment in the production of a wide variety of goods and services. Many benefited from private transfers received by virtue of their ethnicity and/or membership of social networks (as well as incurring their own obligations to make such transfers from time to time). In addition, resort to credit was pervasive and frequent. This served to smooth their consumption expenditures and allowed them to meet contingencies. Hart’s account stressed the unreliability of non-wage incomes rather than their inadequacy. Returns to non-wage employment varied widely from period to period, around mean levels often higher (occasionally much higher) than unskilled wages. But because of this unreliability Frafra were often reluctant to surrender low-paying wage employment, opting instead to juggle the demands of such work with the opportunistic, though sporadic, activities of the informal economy. As Hart described it:

‘The pattern of everyday economic life ... was thus a hand-to-mouth existence characterised by unevenness of expenditures over a pay period, flexibility of consumption units, and the proliferation of credit in all commodities. *Haushalten* (budgeting), one of Max Weber’s two types of rational economic activity, is not widespread in places like Nima’ (Hart 1973, 65).

Hart made an important distinction between ‘legitimate’ and ‘illegitimate’ informality, with the notion of legitimacy being ‘derived essentially from Ghana’s laws ... coincid[ing] with the morality of “respectable” Ghanaians’. Such judgements did not correspond readily with the *mores* of most people in Nima, a district ‘notorious for its lack of respectability, for the dominance of a criminal element, and for the provision of those goods and services usually associated with any major city’s “red-light district”’ (Hart 1973, 74). He contended that ‘a consideration of income opportunities outside formal employment must include certain kinds of crime. The incidence of illegitimate activity in Nima was, to my knowledge, all-pervasive’ (ibid., 68).

The classification of criminal income opportunities commenced with ‘service’ transactions, many of which might in principle (moral considerations aside) be valued in national accounting terms and regarded as productive. Hustlers, receivers, usurers and pawners at illegal interest rates, drug-dealers, prostitutes, procurers, smugglers, bribe-takers, influence pedlars and protection men were accounted as productively, albeit illegitimately, employed in the informal economy (ibid., 69). Among these, ‘the most common category ... is the “hustler” or “spiv”—a jack of all trades, mostly shady ... and generally behaving in a Runyonesque way’ (ibid., 74–75). Residents of Nima also engaged in making (and benefiting from) ‘illegitimate transfers’ involving thieves, larcenists, peculators and embezzlers, confidence tricksters and gamblers. Urban crime was an agent of income redistribution.

Among ‘legitimate’ informal activities Hart distinguished numerous categories of primary (urban agriculture), secondary (petty manufactures, artisanship) and tertiary activities, conducted by an ‘urban proletariat’ (Hart 1971) or ‘sub-proletariat’ (Hart 1973). This categorisation suggests why the early ILO usage of the term ‘informal sector’ has been largely supplanted by the empirically more accurate term, ‘informal economy’. Informality is not itself

a 'sector'; it occurs in *all* sectors—as categorised by statisticians—primary, secondary and tertiary. At the apex of Nima's legitimate informal economy were tertiary activities conducted by 'transport operators, landlords, cornmill owners [and] commodity speculators', requiring relatively large capital. Beneath them was a profusion of small scale distributors—some itinerants from 'upcountry', others resident in the city—distinguished either by how and where they traded ('market stalls, roadside booths, hawking'), by the commodities traded, or by their positions in distribution chains. Traders were flexible in response to opportunity, differing widely in terms of time devoted and scale of operations. But, reflecting the flexibility of trade and the relative ease of entry to it, 'petty traders, brokers, wholesale merchants, commission agents, and occasional dealers—all these roles are played in varying degrees by large numbers of the urban sub-proletariat' (Hart 1973, 72).

The formal and informal economies were closely inter-related. While the informal economy provided a very large proportion of the daily needs of residents of Nima and other 'sub-proletarian' suburbs it also made substantial 'exports' of goods and services to middle-class neighbourhoods. In regard to illegitimate goods and services, he distinguished between the bustling local economy within Nima and its dealings with the 'bourgeois' population of greater Accra. The latter were avid recipients of many illegitimate services, but also unwilling donors of certain 'illegitimate transfers' (owing to theft and burglary, for example). Hart commented that while 'private transfers circulate within the sub-proletariat ... illegitimate transfers are borne predominantly by the urban middle classes' (*ibid.*, 86). The metaphor of symbiosis applied; both positively, in the sense of mutually-beneficial transactions, and negatively, in the sense of exactions by one side from the other.

Hart's research in Ghana had considerable impact on the thinking of international agencies and the governments of some newly-emerging states, concerned by alarming projections of

growing urban unemployment (see, for example, Jolly et al. 1973). In retrospect these may seem ill-conceived but they generated considerable unease at the time. Briefly, Hart's Ghanaian insights suggested urban poverty should be analysed in terms of the lack of sufficiently remunerative *income opportunities*, as distinct from any notion of open unemployment due to the absence of 'jobs'. His newly acquired celebrity prepared the way for a positive reception to the idea of informality in PNG, when Hart arrived there as a member of the Faber Mission. That experience also caused him to consider the idea of a *rural* informality. Further consideration will be given to this below (Ch. 26), dealing with the impact of the Faber Report (ODG 1973) on the political economy of PNG on the eve of its Independence.

Later, Hart came to see informality as arising from anomalies between the conceptions of orthodox economic theory, as conceived for application in particular economic systems, and the messy reality of those systems. Such anomalies between a 'dominant orthodoxy' and the objective circumstances of livelihoods could only be accommodated by introducing the idea of informal economy, for:

'As long as there is formal economic analysis and the *partial* institutionalisation of economies around the globe along capitalist or socialist lines, there will be a need for some such remedial concept as the informal economy. Its application to concrete conditions is likely to be stimulated by palpable discrepancies between prevalent intellectual models and observed realities' (Hart 1987, italics in original).

Hart's notion of 'form as rule' suggests how ideologies determine the forms which ought to be observed in economic life. Orthodoxy typically informs the policies to be implemented and guides bureaucratic measures applied for their implementation. Informality occurs when populations are only partially institutionalised to, and push back against, the prevailing economic dogma and its

supporting bureaucratic measures. In that sense, the notion is as applicable to remaining socialist regimes (such as Cuba, North Korea and the People's Republic of China) as to the market economies of the industrialised world and the 'national capitalist', 'transitional' or 'emerging market' systems of the developing world. Conduct of market economy and the operation of bureaucracy appear as twin pillars supporting an economic system in which formal and informal economic activities co-exist. As an extension of this principle, prescribed modes of organisation for production and exchange in a socialist economic system may also induce the phenomena of pushback among its population—hence behaviour that is informal in terms of socialist principles.

This prompts the question whether economic informality could occur in quite different contexts, as in social formations occurring prior to mercantile or industrial capitalism. Any society with some semblance of administration had its own version of *form*. These derived from the principles on which societies were administered, so that economic activity occurring outside, or deviating from, prescribed forms might be considered informal. But such speculation is unfruitful. It amounts to the *reductio ad absurdum* of Hart's understanding of informality, which cannot be applied to pre-market forms of exchange because it had no salience there. Informality becomes salient only with the adoption of market exchange, with the emergence of bureaucracy to regulate it and with the efforts of economic actors to accommodate themselves to the emerging modalities of markets. This formulation could also allow for informality to appear in some liminal form, under circumstances where those preconditions are emergent rather than established (Ch. 4).

Even in a market economy subject to bureaucratic regulation it is likely some activities and societal attitudes from earlier socio-economic formations will persist. Hart dealt with these as 'residue', describing them as 'parallel to' what he called 'the formal order'.

Such activities are:

‘just separate from the bureaucracy. It would be stretching the logic of the formal-informal pair to include peasant economy, traditional institutions and much else besides within the rubric of the “informal”. Yet the social forms endemic to these often shape informal economic practices’ (Hart 2008a, 14).

Discussion will return to this subject later, when the idea of *hybridity* in economic activity (interposed between the states of formality and informality) is introduced. Just as ‘the modalities of markets’ were absent from other early economic formations they were also foreign to traditional Melanesia. Later, in the colonial period, this absence had implications for the manner and degree of Melanesian acculturation to the colonial economic system. The persistence of Hart’s ‘residue’, triggering what is called here ‘hybridity’, will be shown as crucial to understanding much Melanesian economic behaviour in the colonial period.

CHAPTER 3

Precursors of the informal economy

A NUMBER OF EARLIER observers should be considered Hart's intellectual forerunners in that they described, and in varying degrees explained, what later became known as the informal economy. Among those acknowledged by Hart was the nineteenth-century English journalist Henry Mayhew (of whom he became aware only after returning from Ghana). Mayhew's *London Labour and the London Poor* (1851–1862) is unmistakably an account of the informality phenomenon. Appearing originally as newspaper columns, his reports remind modern readers that mid-Victorian Britain experienced phenomena—urbanisation and population movement, technological change and social dislocation—found in contemporary developing countries. Mayhew's London is shown as supporting an historically unprecedented concentration of unemployed and casual workers, with a significant and complex informal economy.

Hart has also acknowledged the direct influence on his thinking of Clifford Geertz (1963b) and Oscar Lewis (1966) but other candidates—not nominated by him—are named here as

precursors. Chosen for their relevance to themes of this narrative, they are the liberal economist PT Bauer, the formalist anthropologist RF Salisbury and the colonial historian JC van Leur. The discussion of van Leur (Ch. 4) introduces an even deeper time dimension to economic informality than Mayhew provided. It introduces the possibility that a kind of *liminal* informality (a concept mentioned in the previous chapter) appeared in the mercantile capitalism of the Malay Archipelago, at its furthest extent on the shores of west New Guinea. Van Leur's account of that period also supports the notion of a Melanesian 'singularity' in economic affairs.

The account here of Péter Tamás Bauer, a pre-war Hungarian emigre to Britain, provides a link with the origins of 'economic development' in classical political economy and acknowledges his role as the pioneer *economic* analyst of informality. Richard Salisbury is nominated to bring this narrative closer to its geographic focus on PNG. It will show how closely he anticipated a generalised view of urban informality. Salisbury's formalist accounts of Melanesian societies in transition from subsistence echoed Bauer—both in their common adherence to the construct of 'transition' and in their emphasis on the role of the service sector in development. Both Bauer and Salisbury provided evidence to support the idea of a *rural* economic informality, an idea not emphasised in Hart's account of Nima, and it cannot be claimed he was influenced by them. In fact Hart is extremely critical of the idea of transition from subsistence economy. These correspondences and discordances will become clearer as the narrative proceeds.

Peter Bauer, West Africa and the economic analysis of informality

Bauer introduced the idea of informality to the economic literature in his studies of late-colonial British territories. Because of his interest in the 'grassroots' economic behaviour of indigenous peoples

Bauer was an isolated figure among economists of his period. A comfortable, even arrogant, assumption—that orthodox economic analysis could be applied reflexively to the broad range of human societies—appeared to render unnecessary any close scrutiny of the specifics of particular cultures or economic systems. Bauer was also isolated in setting himself against the post-war vogue for interventionist planning, parodied by him as ‘price-less’ economics. Embraced by the victorious Western powers and the newly created Bretton Woods institutions, planning was the instrument of choice for achieving the new goal of economic development. But while Bauer was also a ‘development’ economist, his inspiration lay elsewhere, in Smith’s *Wealth of Nations* and the classical political economy which followed upon it.

Bauer’s credentials as precursor include studies of internal trade and entrepreneurship in late-colonial West Africa and Malaya (Bauer 1948, 1954). Colonial administrations created formal employment, while European capital controlled large-scale economic activity. An intermediary class of alien traders (Chinese, Indians, ‘Levantine’) often maintained the most direct economic interaction with indigenous populations, catalysing economic activity. Emphasising the enterprise of these peoples, Bauer pointed to the spontaneous and substantial expansion of smallholder export crops in British West Africa and Malaya (just as occurred later in parts of colonial PNG). His paradigm of agricultural development was one of Smithian ‘transition’. Smallholder agricultural investment, complemented by the intensive trading and service activities of African cultivators, had the potential to increase their levels of economic activity and income ‘from that of a subsistence economy to that of an emerging exchange economy’ (Bauer and Yamey 1951, 743).⁴ The indigenous

⁴ While Basil Yamey was joint author of some studies cited here he has acknowledged the primacy of Bauer’s original fieldwork and observations. See Yamey (2005).

economy was his primary focus and in hindsight we may choose to characterise it as ‘informal’ (whether or not Bauer himself had such a distinction in mind).

Another reason for naming Bauer as a precursor stems from a controversy he initiated, challenging conventional wisdom on the changing occupational distribution of labour during the course of development. Derived from William Petty’s *Political Arithmetick* (Petty 1690), and buttressed by Colin Clark’s empirical research (Clark 1940, *The Conditions of Economic Progress*), the accepted principle was that ‘economic progress is generally associated with certain distinct, necessary and predictable changes in occupational distribution, in particular with a relative increase in the numbers engaged in tertiary [i.e., *service*] activities’ (Bauer and Yamey 1951, 741). Bauer dismissed the generalisation as deterministic, describing it as empirically incorrect due to a combination of flawed data and inadequate observation. He claimed the Petty/Clark hypothesis was falsified by two characteristics of developing country labour markets—the ‘imperfect specialisation’ of individual workers, and their ‘occupational fluidity’ (Bauer and Yamey 1957). These characteristics resulted in a greater allocation of labour to tertiary or ‘service’ occupations during the *early* stages of development than Clark had anticipated.

Imperfect specialisation of labour (first identified by Adam Smith) was masked by unreliable colonial census data, though simple observation showed that ‘many of the so-called farmers spend a large part of their time in small-scale transport, portage and trade ... They may trade not only in the goods they themselves have produced, but also in goods purchased by them for resale’ (ibid., 34). Specialisation was ‘imperfect’ because such people operated in both the agricultural and service sectors, while in urban areas even many formally employed people also had sidelines (‘moonlighting’, as described by Hart). The second characteristic, fluidity of occupations, was also difficult to detect in census data.

Bauer's explanation was couched in terms of farmers and their options (hence a case applicable to *rural* informality). But it was equally relevant to urban street traders in Nima (or in Mayhew's London):

'People can generally move with little sacrifice or difficulty within a wide range of occupations ... [and their] activities include various forms of small-scale trading, the supply of the less-mechanised forms of transport service, and the provision of personal services generally. Many farmers are at no disadvantage in small-scale trading provided they have the small amount of capital which is required in this relatively unskilled activity' (ibid., 37).

Because of these two characteristics 'the economic activity of many people in under-developed countries is better described as the performance of a number of different tasks than as the pursuit of a definite occupation' (Bauer and Yamey 1951, 742). Yet this diverse set of 'sideline' activities was generally ignored in census data. When 'multi-tasking' Africans were enumerated simply as 'farmers' the size and significance of the service sector was seriously underestimated. Bauer took such flourishing tertiary sector employment in West Africa as an instance of 'a well known theme in economic history', articulated originally in the eighteenth century by Adam Smith. This was 'the crucial role of trade and transport in quickening the process of economic growth and in extending the money economy' (Bauer and Yamey 1957, 42).

Bauer and Yamey (1951, 1957) provided multiple instances of the microeconomic logic underlying behaviour of West Africans at early stages of the 'transition', describing the incremental processes by which Smithian specialisation and exchange are elaborated. These were the processes WEH Stanner had found so lacking among the indigenous people of PNG immediately after the Pacific War (Ch. 1). As development proceeds, individuals

become more clearly specialised in their occupations and the degree of ‘occupational fluidity’ in workforces diminishes. Rising personal incomes and improved transport systems lead to the extension of markets, so that specialisation yields increasing profits. At the same time, ‘the increase in capital requirements and the improvements in techniques of production limit the movement of people between economic activities’ (Bauer and Yamey 1957, 34).

In retrospect the importance of Bauer’s polemic does not lie in its attempt to challenge the Petty/Clark generalisation. Although he pointed to unsuspected levels of service activity at low levels of development, this amounted to no more than an intriguing qualification to the Petty/Clark hypothesis, which retains broad acceptance. Modern research is more concerned with the causal mechanisms underlying the ‘shift to services’, rather than the *direction* of that shift. In recent decades the shift has been observed, particularly in Latin America and sub-Saharan Africa, as taking the rather troubling form of ‘premature deindustrialisation’ (Rodrik 2016). The share of manufacturing in GDP and in employment has been peaking at lower levels, and lower levels of per capita income than was observed historically in the Western world, or (more recently) in East Asia.

Bauer is judged significant here for his pioneering account of indigenous trading and service activities, which we now recognise as informal. A later critique of Bauer by Michael Lipton (1984) was concerned not so much with his account of the service sector, still less with his ‘discovery’ of the informal economy, but rather with his generalised application of classical economic theory to modern issues of economic development. Lipton charged that Bauer’s ‘classical’ prescription, that ‘enterprise, trade, enlargement of markets’ would act as ‘engines of development’, was persuasive only because he drew his policy prescriptions from the experience of ‘lucky places’ such as British West Africa and colonial Malaya.

Lipton's assessment of Bauer (and, by implication, of the classical prescription) will recur frequently in this narrative because of its particular resonance for PNG.

Richard Salisbury: services as leading sector

Given the centrality of Melanesia to this narrative, nominating an anthropologist of PNG as a precursor may appear opportunistic. However Salisbury embraced the 'under-development' economics of Bauer and Yamey (Salisbury 1962, 213) and was influenced by Clifford Geertz (whom Hart regarded as a precursor). Bauer and Yamey informed Salisbury's view of the importance of services in development, leading him to undeniable premonitions of informality. Hart respected his 'rich and nuanced ethnographic arguments' (Hann and Hart 2011, 68) but had little time for his anthropological formalism and none at all for his adherence to the 'transition'. Nonetheless, that concept—integral to the dynamics of agricultural development as understood by Bauer, Myint, Fisk and Stent (among economists) and Salisbury, Scarlett Epstein and Finney (among anthropologists cited here)—underlies this study. Some Marxists may dismiss the informal economy as 'petty commodity production' and accuse its champions of 'mystify[ing] the essentially regressive and exploitative nature of this economic zone' (Hart 2008a, 7). But the enthusiasm for informality crosses ideological boundaries, with the idea engaging commentators as widely separated as the eclectic Marxian Hart and Lord Bauer, that darling of modern economic libertarians.⁵

Salisbury's informality was derived from two PNG studies. One, the particular object of Hart's praise, concerned the Siane from the region of Goroka while the other dealt with the Tolai of the

⁵ Ennobled by Mrs Thatcher in 1983, Bauer was styled (in a nice touch) Lord Bauer of *Market Ward* Cambridge.

Gazelle Peninsula around Rabaul. Salisbury knew the Siane at an early stage of their transition, soon after steel tools revolutionised their agriculture and social relations (Salisbury 1962). The Tolai of Vunamami (see Figure 5, p. 75) were already much further along that path (Salisbury 1970). Replacing stone axes with steel had released some of their labour time, used ‘for politicking, ceremonials, legal disputes, and fighting’. These activities induced processes of ‘political consolidation’ in both groups. Larger entities coalesced around emergent leaders exercising greater political control, leading to ‘organisational innovation’ and the ‘development of new consumer demands’ (ibid., 10–11).

In an obscure paper⁶ titled ‘Development through the Service Industries’, Salisbury synthesised his Siane and Tolai findings (Salisbury 1971). Rejecting Colin Clark’s assertion that services should be seen as ‘emerging only after primary and secondary industry have achieved certain levels of production’ he contended that under certain circumstances they may be ‘the dynamic sectors’ of an economy. Among the Siane and Tolai, services had been ‘the leading sector’ (ibid., 57). This echoed Bauer’s argument that services were crucial from the beginning, in ‘quicken[ing] development and extend[ing] the market. Influenced by Rostow’s *Stages of Economic Growth* (1960) Salisbury posited a ‘social evolutionary’ model of the role of services. From Sahlins (1958), he drew the insight that ‘in generally undifferentiated subsistence societies the first full-time specialist occupations to occur are political and religious ones’. Echoing Bauer’s ‘imperfect specialisation’, he suggested ‘the actual proportion of the labour force employed in service production would be much higher than the figures of full-time specialists would indicate because of part-time involvement in politics and religion’ (Salisbury 1971, 57). If trading and gift exchange were

⁶ Not listed in his comprehensive bibliography published in a posthumous tribute volume (Silverman 2004).

also regarded as tertiary activity, the share of subsistence labour employed in services among the colonial-era Siane may have been as much as 20 per cent. For both Siane and Tolai, increased levels and frequency of Maussian gift exchange were a culturally appropriate way to enjoy additional leisure made available by labour-saving innovation.

A state of ‘under-development’ occurs when subsistence economies are diverted from a ‘normal’ path of development, making ‘simple but labour-efficient agriculture more labour-intensive, absorbing a larger proportion of the labour force, but taking the provision of services away from the rural or poorer areas, and centralising them in either capital cities or metropolitan countries’ (ibid., 58). In the absence of centralisation, groups such as the Siane and Tolai would follow a normal path of development, on which services provided within villages would act as a ‘leading sector’. Political consolidation and the retention of local decision-making were crucial elements in this scenario for, without them, villagers would likely succumb to what Geertz (1963a) called ‘agricultural involution’. Salisbury showed that among the Tolai most subsistence cultivators ‘usually work part-time, often voluntarily and without pay, at what may be called service activities, providing entertainment, education, organisation and assistance to their neighbours where specialised agencies to provide them do not exist’. This vision is clarified in the 1971 paper:

‘In countries where there is an approximate *internal self-sufficiency in foodstuffs*, encouragement of local ... self-help projects in education, marketing, artistic endeavour, housebuilding, athletics, or leisure generally, service industries may well turn services into a leading sector, may absorb unemployment, provide incentives to labour-saving innovations in productive activities, encourage entrepreneurship, facilitate investment and make changes in the average standard of living ... without the need for large additional outside investments. Development

through service industries can be a pattern for grass-roots development' (Salisbury 1971, 65, emphasis added).

By calculating Tolai time-budgets, Salisbury found that official data exaggerated their engagement in self-employed agriculture while failing to suggest the importance of their work in services (*ibid.*, 59). This mirrored Bauer's observations in West Africa. Salisbury's trust in the Tolai and Siane to throw up energetic community organisers encouraged him to believe many services could be provided by local government and church entities. These would be local public goods, provided informally and autonomously as dividends of the political consolidation process. Bauer's critic Lipton would have regarded the Siane and Tolai homelands as 'lucky' places, just as Salisbury assumed the prevalence there of an 'affluent' environment. These ideas will be discussed below, as will the attributes that make a place 'lucky' and their significance for informality in Melanesia.

Following Rostow's 'social evolutionary' model of economic growth, Salisbury posited four successive stages of labour-saving agricultural change experienced by Tolai over the period 1875–1960. These released successively larger proportions of labour time for service activities, leading to prosperity, 'evidenced more by greater leisure and a varied quality to social life' than by material consumption (Salisbury 1970, 60). 'Leisure' appears to have included engagement in group activities including ceremonial exchange, local government, and church and community affairs. The shift to leisure 'would occur only if existing demand for food and subsistence requisites were already met—in other words, in a relatively *affluent* society' (*ibid.*, 11, emphasis added). The supply of labour was not unlimited. In fact it was scarce, relative to the resource endowment and productive potential of the Tolai lands. Salisbury's data for land-use and labour inputs in Vunamami supported his contention that the Tolai were 'affluent' in subsistence terms. Thus, for 1961 he reported that 'Vunamami, thanks to its

women, still is ... virtually self-sufficient in food crops, at a cost of only fifteen and a half acres of land and 11 percent of the labour of its farmers' (ibid., 146). This encouraged investment in, and movement of labour to, other activities for which demand was more elastic. Among both the Siane and Tolai labour moved from subsistence agriculture to services (Salisbury 1962, 152; 1971, 61).

After reading Geertz (1963a) on 'agricultural involution', Salisbury (1971, 61–62) contrasted the Tolai situation with that in cash-cropping peasant societies in Java. The latter were typified by mono-crop export production systems and reliance on imported food staples. This was a situation of 'over-specialisation', characterised by 'steadily declining wage-rates, lack of local services, extreme vulnerability of the local economy to changes in world-market prices for its product, and an inability to innovate or to diversify the economy ...'. Such circumstances led to the agricultural involution described by Geertz. Salisbury believed such situations might be avoided if local service activity were maintained, and with it the flexibility necessary for economic diversification.

Drawing a questionable parallel with the very different circumstances of Javanese agriculture, Salisbury (1971, 64) saw a kind of agricultural involution as threatening the Tolai. He warned of simultaneous dangers: 'agricultural involution in rural areas and service development in the capital.' Urban centralisation of services was inimical to progressive rural communities, leading to what he understood as agricultural involution. But declining rural living standards would also cause *service* provision to become 'low-productive and technologically involuted'. For the idea of an 'involution of services' Salisbury acknowledged discussions with the economist Benjamin Higgins (a former colleague of Geertz). Paraphrasing Higgins, Salisbury noted that 'service industries of low productivity in many under-developed countries absorb large proportions of the manpower, but disguise under-employment without removing it. They then create what might be called "an

involution of services”—taking in one another’s washing—leading to increasingly labour-intensive technologies ...’ (ibid., 65, n2). This suggests Salisbury had conceptualised two informal service sectors. One was rural and prosperous, the other urban, and marked by poverty and disguised unemployment. The former could flourish in an ‘affluent’ society unconstrained by shortage of land. The latter would emerge from an increasingly land-short subsistence economy where people were forced to migrate to urban areas.

Insofar as Salisbury discerned an informal Tolai economy, in Hart’s sense, it was a *rural* informal economy, operating in what Lipton would call a ‘lucky place’. Salisbury also deserves credit for recognising the possibility of a future involution of services. This would involve increasing intensity in the application of labour to services and would lead to the immiserisation of service workers. This informal economy would occur in urban areas, and be driven by the threat of rural poverty. Salisbury’s premonition of urban informality, such as described by Hart in Ghana, is clear. His comparison of the ‘affluent’ Tolai lands with the intensive rice cultivation of Java was spurious and his social evolutionary approach rather laboured but his analysis yielded insights of genuine originality. These have continuing resonance for twenty-first century Melanesia.

To continue the discussion of precursors of informality, the next chapter deals with JC van Leur, historian of the ancient trade of the Malay Archipelago. Van Leur studied small travelling peddlers, a group which can be seen as historical forerunners of Asian informal micro-entrepreneurs. They operated in a pre-colonial environment in west New Guinea, where Asian trucking and bartering came into contact with Melanesian ceremonial (i.e., Maussian) exchange. This situation is presented here as an historical analogue of the much later encounter in colonial PNG between the Smithian worldview of European colonialism and the Maussian logic of *The Gift*.

CHAPTER 4

Melanesia in the trade of the Malay Archipelago

JC VAN LEUR'S STUDY, *Indonesian Trade and Society: Essays in Asian Social and Economic History* (1955) documented a complex trading system extending across the full, east-west span of the territory which is now modern Indonesia. It reached as far as the western fringe of historical Melanesia (present-day Indonesian Papua). In van Leur's account, historical Papua appears as a transitional zone between the traditional exchange of Melanesia and a system of trade and tribute imposed on Papuans by Asians. The latter were the Muslim Sultans of Tidore and Ternate in the Maluku group (English, the Moluccas; Figure 3), and Malay, Arab and Chinese traders.

This archipelagic trade extended to Papua a pre-colonial system of Asian mercantile capitalism. That system had its own conventions of bureaucratic regulation and market exchange, so much so that, when Portuguese mariners arrived in the Archipelago in the early sixteenth century, they came:

‘into regions where there was a complex of shipping, trade, and authority as highly developed as the European: forms of political capitalism at least as large in dimensions as those of

southern Europe ... shipping in bottoms many of them carrying more than those used in European merchant shipping; a trade in every conceivable valuable high-quality product carried on by a great multitude of traders; merchant gentlemen and harbor princes wielding as great financial power as did the merchants and princes of Europe' (van Leur 1955, 117).

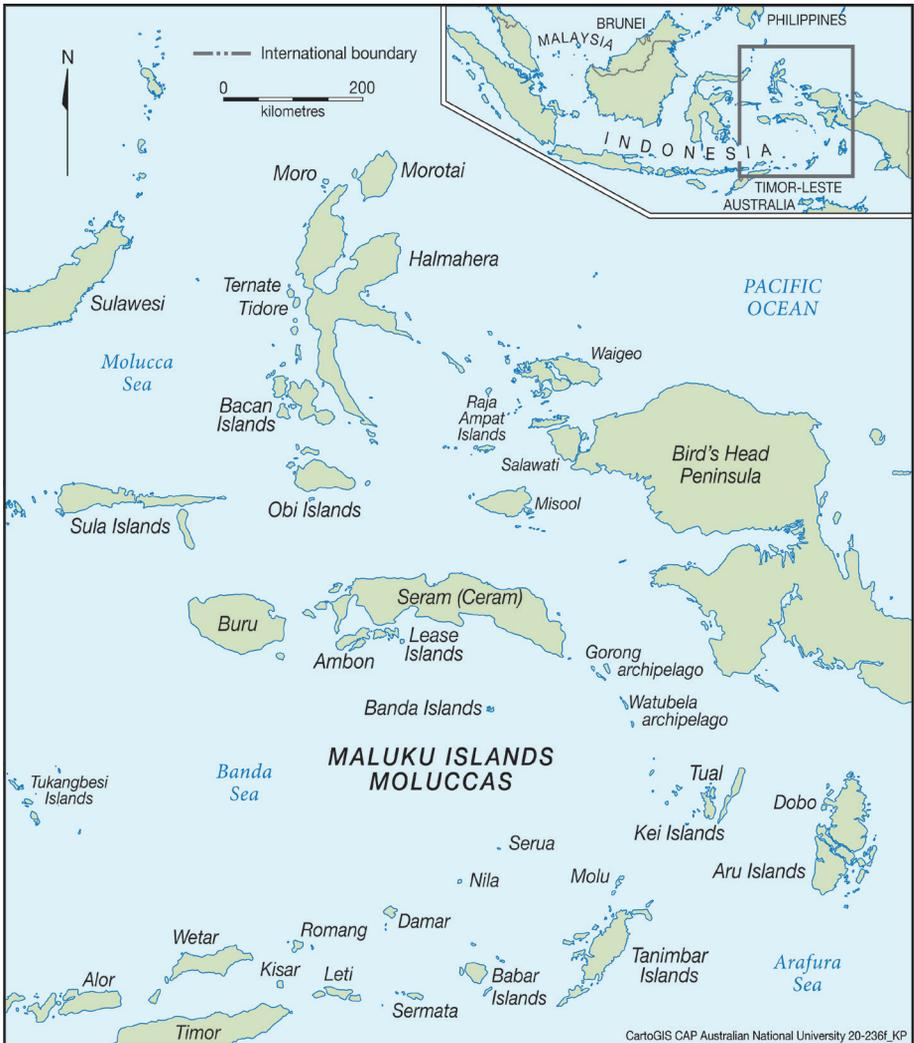


Figure 3: Maluku and the Bird's Head of New Guinea

While the travelling peddlers who comprised the ‘great multitude of traders’ in the archipelagic system were central to van Leur’s account, such a class of specialised traders was not found among the Papuans with whom they engaged. Another feature of the Asian system, as it operated on the fringes of Melanesia, was its *hybridity*. ‘Tributary’ relationships, including the exaction of Melanesian slaves and commodities from Papuan communities by Moluccan rulers, operated alongside Asian mercantile capitalism until slavery was suppressed in New Guinea by the Dutch at the end of the nineteenth century. A closer examination of this hybrid system will offer insights into an historical encounter between trade as ‘trucking and bartering’ and the Maussian world of *The Gift*, occurring on the western fringe of Melanesia. It will provide an understanding of that Melanesian ‘singularity’ indicated by an absence of specialised trading and intermediary functions among Melanesian peoples.

The island of New Guinea is located on the southeastern fringe of what is called here ‘Monsoon Asia’. Compared with Melanesia and its many small, fragmented societies, Monsoon Asia experienced substantial political consolidation in the pre-modern period. Among many reasons, this was due to the need to secure and control water for irrigation, requiring administrative cadres to manage hydrological systems, and to ensure the appropriation by political and bureaucratic elites of the surpluses these generated. Specialised artisan and service-provider castes emerged, catering to the needs of a population with substantial income disparities and differential access to land, and an institutionalised system of slavery. Among the most developed bureaucratic activities in the region in the pre-modern era were those concerned with maritime trade. Local bureaucracies governed major *entrepôts* on trade routes spanning the Malay Archipelago, on which New Guinea was the eastern outlier. These routes were also articulated with mainland ports

in Southeast and East Asia and it is instructive to consider how New Guinea related to that system.

The limited specialisation and exchange of pre-modern Melanesia was in marked contrast to the economic organisation of Monsoon Asia, where traditions of household crafts and manufacturing, the use of 'general purpose' monies as media of exchange, and a complex division of labour facilitated domestic and international commerce. Most Asian households remained anchored in agriculture but many developed post-harvest and off-farm sources of income to supplement farming livelihoods. With declining land availability and urbanisation, many households became increasingly dependent on trade, services, petty manufactures and wage labour for livelihoods. While some prospered and grew to operate larger enterprises, most continued to operate modestly at the level of the household. There they pursued a wide range of trades and occupations.

Such influences contributed to the relative complexity of social structure and occupational differentiation in much of Monsoon Asia, by comparison with a fairly general lack of ascribed social status in Melanesia and the undifferentiated character of livelihoods in its small-scale subsistence economies. Melanesian societies do not appear to have thrown up anything approaching the degree of economic and occupational differentiation (or landlessness) sufficient to create 'Asian' patterns of productive activity and income distribution. This may suggest some historical antecedents of modern Melanesian 'singularity'. It certainly helps explain why, in the modern era, a dynamic informal economy was observable in Monsoon Asia while in Melanesia such livelihoods were very limited in scale and scope. A brief account of trade in historical Monsoon Asia, and the trading relationships between it and traditional Melanesia, may assist in considering that proposition.

The western half of New Guinea (later Dutch New Guinea, now Indonesian Papua) was for many hundreds of years a transitional

zone between Monsoon Asia and Melanesia. It stood at the eastern end of the archipelagic trading system, described from the Melanesian perspective by Charles Rowley (1965), Pamela Swadling (1996) and Clive Moore (2003). As mentioned, van Leur regarded pre-modern Asian trade as having exhibited a degree of mercantile capitalism comparable with that of contemporary Europe.⁷ But whereas modern industrial capitalism requires the efficient organisation of free labour, mercantile capitalism in the Malay Archipelago relied heavily on slaves, including Papuans. Commercial slave raiding was a highly organised trade. It was conducted alongside, although only ambiguously separated from, the enslavement of Papuans in a continuing pre-modern system of tribute and plunder imposed by the rulers of Tidore and Ternate.⁸ The parallel, yet intermingled operation of these two modes of extraction bestowed a degree of hybridity on the mercantile capitalism discerned by van Leur.

Slavery was ancient and Papuan slaves may have been held on the island of Java as early as the tenth century AD (van Leur 1955, 355, n64). For at least five hundred years, ‘Malay’ traders (mostly Moluccans and Seramese) established footholds on offshore Papuan islands and on the ‘Bird’s Head’ of Western Papua where,

⁷ The brevity of this account precludes discussion of a distinction van Leur made between commercially motivated ‘petty traders’ (described above as comprising the ‘great multitude of traders’ in the archipelagic system) and ‘wealthy money-holders’. This was an analogy from the classical European world, applied to the Malay Archipelago. ‘Money-holders’ were members of a pre-capitalist class whose primary concerns were political, since ‘the classical *polis* of the Mediterranean was not dominated by “bourgeois” economic life, but [by] war, booty, and political tribute’ (van Leur 1955, 60). The Sultanates of Tidore and Ternate in the Moluccas were the principal centres of such activities directed against Papuans.

⁸ Tributary acquisition of slaves by Moluccan sultanates was older than the mercantile capitalism of which the commercial slave trade was a part and served political as well as economic objectives. But in the modern era at least some slaves acquired in tribute also entered the commercial trade, becoming ‘monetised’ in sales to commercial traders in *entrepôt* markets further west from Papua.

by intermarriage and Islamic conversion, they created small ‘mixed intermediary’ populations (Andaya 1991). These served as local agents of the archipelagic traders, and their Muslim descendants remain identifiable today. Commercial trade across the archipelago was facilitated by various local and/or regional media of exchange, although the degree to which trade destinations were incorporated into monetary exchange tended to diminish across the region from west to east. The vigorous mercantile capitalism seen further to the west assumed a more liminal character on the fringes of Melanesia so that trade at the end of the line, in Papua, was conducted by barter. Introduced commodities (metal implements and weapons, cloth, other manufactures) were exchanged for slaves and marine and forest products. These Papuan commodities were monetised by the Asian visitors at *entrepôt* markets on their return voyages to the west.

Among commodities introduced to Papuans in such trade was *kain timur* (Malay, ‘eastern cloth’, traditional woven cloth from Eastern Indonesia). This was exchanged for ‘kidnapped people and birds of paradise’ (Miedema 1998, 194, n3). Over centuries this trade effected considerable social change among Papuans of the interior of the Bird’s Head, as *kain timur* acquired prestige value, with the varieties most coveted by Papuans regarded as *kain pusaka* (Malay, ‘heritage cloth’). Christopher Healey claimed (1998, 346) that for Papuans of the Bird’s Head *kain pusaka* came to acquire the status of ‘inalienable things’. Inalienability is the hallmark of the Maussian *Gift*, the exchange which represents ‘relations between non-alien by means of inalienable things’ (Gregory 1997, 52). For Gregory (in *Gifts and Commodities*, 1982) such inalienable things are gifts, not commodities (the latter connoting ‘relations between alien by means of alienable things’). Both occur in Gregory’s analysis of Melanesian indigenous economy because it is ‘an “ambiguous” economy where things are now gifts, now commodities, depending on the social context’ (Gregory 1982, 117; Hann and Hart 2011, 87). This may explain how *kain timur* became a valuable (a *Gift*) in

bride price exchanges. In the interior of the Bird's Head, bride price exchange evolved over time from 'women for women' exchanges, to 'kain for women'. On the coasts, such exchanges morphed further, to the commodification of women as slaves ('women for kain') (Miedema 1998, 227, n58). Some interior populations became slave reserves for the conduct of these exchanges.

While this commodification was said to have involved an emergent class of Papuan 'warrior-capitalists' (ibid.) their activities did not fit any modern understanding of capitalism. Papuans saw trade in Maussian, rather than Smithian, terms and were often persuaded to surrender commercially-valuable commodities on terms which a modern observer might see as unequal exchange. Commodities (and slaves, as commodities) passed from the interior to the coasts between parties with radically different understandings of the transactions in which they engaged. Malay merchants, whom Goodman (1998, 438) described as 'trade-savvy', bartered with Papuans on the frontier for commodities which they could subsequently monetise. To understand this situation it is necessary to consider how trade was conducted among Melanesians, and how their traditional exchange practices conditioned their approach to trade with aliens.

Here a conceptual divide exists between orthodox economic and Maussian views. While making some allowance for cultural practices, neoclassical economists such as EK Fisk (to be discussed in the next chapter) modelled the operations of Melanesian subsistence 'units', assumed as self-sufficient. His conception of how such a society makes 'the transition from subsistence' was predicated on a propensity to 'truck and barter', assumed as operating in what Adam Smith had called 'natural economies'. By contrast, Marcel Mauss rejected any innate propensity to truck and barter in such situations, asking instead, '*What power resides in the object given that causes its recipient to pay it back*' (Mauss 1925, 4, emphasis added). Keith Hart saw the answer in the circumstance that 'human beings everywhere find the personal character of the

gift compelling and are especially susceptible to its evocation of the most diffuse social and spiritual ties' (Hann and Hart 2011, 50). This understanding of human behaviour is antithetic to the individualism and impersonality associated with neoclassical analysis; in Hart's account, 'spiritual ties' are set against 'trucking and bartering'.

Such situations proved richly productive of misunderstanding—as seen on the Bird's Head where commercial exchange was conducted with Papuans by the agents of Asian mercantile capitalism. The Maussian expectations of Papuans were confronted by the shrewd and knowing commerciality of Moluccan and Seramese merchants. From a contemporary Western perspective it appears traditional Melanesian trade and exchange provided inadequate preparation for Papuans exposed to Asian commercial exchange, as also for their later engagement in the monetised, commercial exchange introduced by European colonial powers.⁹ JC van Leur made a crucial distinction which illuminates this Melanesian trait, this 'incapacity' as it is described here. He distinguished between the practice of 'trade as a *secondary occupation*, whether accompanying farming or independent crafts' and 'trade as a *self-sufficient profession*' (van Leur 1955, 53, emphases

⁹ This circumstance was still evident in mid-twentieth century west New Guinea. There the Dutch provincial capital, Hollandia, was a 'whitebread' colonial settlement with a formal economy revolving around Dutch officials and Chinese traders, and (as in Australian New Guinea) virtually no Papuan urban economic activity, formal or informal. This situation changed dramatically after 1962 when the Indonesian Government 'reclaimed' *Irian Barat* (west New Guinea) on the basis of historical connections. Substantial in-migration of Indonesians from Java and the Moluccas occurred, so that within a decade a thriving urban informal economy sprang up, in which ethnic Papuans played very little part. Jayapura (as the capital was renamed) had become an 'Asian' city (Garnaut and Manning 1974, especially Ch. 4). Indigenous Papuans seemed destined to remain essentially a rural, village people (*ibid.*, 106). While the possibility that indigenous Papuans were unable to make their way in the new urban informal economy due to bureaucratic or other forms of exclusion cannot be excluded, it appears more likely they were simply unprepared to engage in this new economic arena.

added). Writing of the archipelagic trade, van Leur asserted this distinction as applicable to both local and long-distance trade and its occurrence in disparate agrarian civilisations in ‘pre-capitalistic and early-capitalistic periods’ (ibid.). Recalling his characterisation of the pre-colonial archipelagic trade as a form of mercantile capitalism, it seems appropriate to re-examine the economic behaviour of Asians and Papuans on the Bird’s Head in terms of van Leur’s secondary/self-sufficient distinction.

Malays and Chinese on the western fringe of Melanesia pursued trade ‘as a self-sufficient profession’, bartering for commodities with Papuans and monetising their gains later at a convenient *entrepôt*. But pre-colonial Papuans approached these transactions from the standpoint of traditional Melanesian exchange and cannot be categorised in terms of van Leur’s secondary/self-sufficient duality. Only later, in the colonial era, would the spread of monetised trade in Dutch New Guinea enable some few Papuans to become ‘secondary’ traders (as, for example, in the sale of copra, vegetables or forest products). Later, in Eastern New Guinea under German, British and Australian colonial masters, many more Melanesians would do so. This will become clearer in subsequent chapters, where the processes of ‘marketisation’ in colonial PNG are discussed. With very few exceptions, Melanesian monetised trade in the colonial period was no more than ‘secondary’. The distinction between secondary trade and trade as a self-sufficient profession will prove to have considerable explanatory power for understanding the difficulties experienced by Melanesian people in coming to grips with the colonial market economy. The next chapter will consider the efforts of orthodox economists in the neoclassical tradition to understand such situations, occurring in what one of them, EK Fisk, called ‘the unfamiliar economic setting’ of PNG.

CHAPTER 5

Melanesian singularity: Insights from neoclassical economics

WHEN THE FABER MISSION visited PNG at the end of the colonial era Hart and his colleagues were intrigued to find economic *informality* largely absent from Port Moresby and other PNG towns. The Faber Report concluded that ‘urban artisan and service activities are as yet virtually non-existent’ (ODG 1973, 4.11). This unexpected finding, the absence of a phenomenon almost universal in towns and cities of Asia and Africa, might appear to challenge the generality of, or the capacity to generalise from, Hart’s observations in Nima. It was a conundrum, derived from a particular singularity in traditional Melanesian economic behaviour—the absence of specialised trading and intermediary functions. That absence derived from a deeper incapacity stemming from the character of trade and exchange in traditional Melanesia, dramatised in this study by the account of exchange between Monsoon Asia and Melanesia (Ch. 4).

Here ‘incapacity’ refers simply to inability or unwillingness to conform with the expectations or requirements of market economy norms. ‘Singularity’ implies something distinctive or

unusual rather than unique and deterministic. Hart has explained informality as flowing from the merely *'partial'* institutionalisation of people to economic orthodoxy (Ch. 2). In late-colonial PNG this situation caused the Faber team to recommend measures to encourage informal economic activities—an urban 'informal sector'—expecting this to increase the degree of acculturation ('institutionalisation') of people to the market economy and hence their participation in it.

Keith Hart later acknowledged the 'decisive' influence on his thinking of the Faber experience, for in PNG 'the world has seen no starker example of the forced formation of a modern state made up of many primitive societies' (Hart 1982, 3). Although he was speaking of West Africa when he asserted the primacy of 'massive impediments to growth that originate in local material and social conditions' (ibid., 2), it is argued here that such endogenous factors were also crucial in PNG. These led to an incapacity Melanesians could only overcome slowly. Among the objectives of this study is to explain why economic informality was very largely absent from towns in late-colonial PNG, and to examine the significance of this absence for broader processes of economic development there. In what follows, efforts by economists from the neoclassical tradition to explain Fisk's 'unfamiliar economic setting' are considered for the light they might shed on this issue.

The idea of subsistence affluence

Before Independence in 1975 neoclassical economists, most notably Fred Fisk, were responsible for formal analyses of PNG's traditional agrarian economy. Acknowledging the influence of Richard Salisbury (1962) he originated the notion of 'subsistence affluence' in the country's rural sector (Fisk 1962, 1964, 1966). Subsistence affluence became an influential idea, and it retains some contemporary relevance because it may still contribute

to an explanation of the Melanesian informality ‘conundrum’. While Fisk’s formal analysis of the subsistence sector employed the marginalist techniques of neoclassical economics, his underlying assumptions were those of the classical economists. This placed him in the same ideological camp as Peter Bauer. Both employed the metaphor of transition from subsistence economy to market exchange and accepted the validity of that propensity to ‘truck, barter and exchange’ which Adam Smith thought innate to humanity. Both adhered to what Lipton (1984) called the ‘classical’ prescription, that ‘enterprise, trade, enlargement of markets’ would act as the ‘engines of development’ (Ch. 3).

For these reasons Fisk might also be thought vulnerable to Lipton’s critique of Bauer: that his analysis applied only to the special case of certain ‘lucky places’. Fisk described ‘special and unfamiliar’ problems of economic planning in PNG, where a majority of the population conducted its economic activities ‘within the framework of a primitive subsistence economy, largely isolated from the outside world, and in which exchange and the use of money is either unknown, or only marginally significant’. He constructed a ‘simplified model of a pure subsistence unit ... entirely independent of the outside world for the necessities of life and all items of normal consumption’ and providing its own ‘food, clothing, shelter, tools and recreational requirements’ (Fisk 1962, 462–463). This was his *oikos*, his chosen unit of analysis. The term derives from Aristotle, who envisioned a community, or extended household, seeking communal well-being within the *oikos* (Hann and Hart 2011, 57). In Fisk’s model we see simplifications and ‘stylised facts’ but should not imagine he confused these constructs with reality. Fisk intended them as abstractions involving ‘a recognisable caricature’ of reality, in which ‘the complicating details that we omit must be only those that do not materially affect the principles governing the interaction of the main factors retained in the model’ (Fisk 1962, 464).

The Fiskian *oikos* was a ‘pure subsistence unit’, defined as the population of all groups among which a major instance of Maussian exchange, the ‘pig cycle’, occurred. This enabled him to internalise all such exchanges within the unit, defined so as to remain self-sufficient. The unit operated at a low-level equilibrium of production, founded primarily on tubers as staple foods. People had access to abundant arable land and employed simple production techniques, with negligible capital accumulation. Production levels were set by maximising returns per unit of labour, rather than per unit of land, in the context of a limited set of known production possibilities and modest consumption aspirations. The limit of subsistence output was not set by scarcity but rather by a ‘demand ceiling’. This situation was akin to the ‘zen affluence’ later articulated by Marshall Sahlins—the state of enjoying plenty by reason of wanting little (Sahlins 1972). It also brings to mind Salisbury’s description of the Tolai as ‘affluent’ (Ch. 3). Within the production unit there existed a stock of untapped resources which could become available for use once its isolation was disturbed. This resource surplus might be measured as a quantum, either of labour or of the additional subsistence output that labour could produce.

Fisk’s model of the self-contained Melanesian *oikos* had undeniable elements of caricature. Nonetheless, it conveyed a sense of the contrast between small-scale agricultural societies with low levels of technology and the capacity for self-sufficiency prevalent in Melanesia, and the developed systems of specialisation and exchange found in Monsoon Asia. In Fisk’s terms, ‘subsistence affluence’ was:

‘a condition in which population pressure on land resources is relatively light, productivity per unit of applied labour (as distinct from available labour) is very high, and most subsistence agriculturalists are able to produce as much as they can consume (with satisfaction) of their main essential requirements, and to sustain an adequate level of living by their

traditional standards, at the cost of as little as fifteen or twenty hours labour a week' (Fisk 1971, 368).

This is a recognisable 'lucky place' scenario, based on the existence of surplus resources in a favourable environment. It is significant that Fisk was inspired by just such a setting in the region around the highland town of Goroka. This was close to the territory of the Siane, of whom Salisbury had written in *From Stone to Steel*. Dependent on a favourable balance between population and land resources at a given level of agricultural technology, the 'affluence' of highland peoples such as the Siane was not a permanent condition, since it would be eroded over time by population growth (Fisk 1962, 469ff). Fisk specified the conditions under which this temporary margin of resources, hidden within the subsistence sector, could be tapped to finance development. The analysis was essentially Smithian, echoing Bauer's 'well known theme' (Ch. 3), the role of trade and transport in extending the monetised economy. Fisk's concept of a macroeconomy consisting of 'subsistence', 'transitional' and 'modern' sectors provided the taxonomy around which late-colonial national accounting estimates and economic policy were formulated for PNG. As previously mentioned (Ch. 3), Fisk's account of subsistence economy influenced a number of anthropologists, including Scarlett Epstein and Ben Finney. They appear in later chapters, in discussions of indigenous enterprise in Goroka and Rabaul, both seen here as among Lipton's 'lucky' places.

The idea of subsistence affluence also carried an important implication for the narrative here: so long as some degree of affluence remained in the countryside this would act to reduce the willingness of rural-urban migrants to endure unemployment and to 'hustle' for a living in the towns. Moreover, their 'incapacity', that inability to go beyond simple market exchanges to more complex forms of specialisation and exchange, limited their urban self-employment options. To the extent this was still the case when the Faber team visited PNG in 1972, Hart's attempt

to introduce the idea of urban informality into policy discussion (and, more especially, the recommendation that such activity should be encouraged as a matter of public policy) might be seen as premature. This proposition is discussed later (Ch. 25) in the context of urbanisation, unemployment and demographic change.

Hybridity in Melanesian economic life

Although Fisk did not question the applicability of conventional neoclassical theory to the transition from subsistence he made some concessions to Melanesian culture, including his definition of the social/economic *oikos* as incorporating ceremonial exchange of pigs, and allowing for its ‘demand ceiling’ to include food required for Maussian feasting and exchange (Fisk 1962, 467). An agricultural economist, WR (Bill) Stent (1973, 1984), departed further from neoclassical convention with an analysis of subsistence recognising that ‘goods’ can become ‘bads’, if consumed to excess. This incorporated satiation into neoclassical method, in which *insatiability* of demand and constrained equilibria (elements synonymous with the scarcity underpinning orthodox analysis) are normally default assumptions (Stent 1973). Karl Polanyi had equated the substantive and formal meanings of ‘the economic’ with (respectively) subsistence and scarcity—two conditions represented as alternative existential states. In doing so he challenged the assumption on which conventional economic theory is grounded, that scarcity is universal. Stent’s intention was, by means of an ‘adaptive use’ of orthodox economic analysis, ‘to provide further development of the theory of subsistence affluence and, in particular, to identify a number of *hybrid types* of economic activity in the transition from subsistence to a market economy’ (Stent and Webb 1975, 522, emphasis added).

Stent incorporated into his model examples of hybrid economic activity—behaviours inconsistent with orthodox

utility-maximising principles. These came from his observation of Abelam shifting cultivators, when employed as an agricultural officer in the Sepik district of PNG in the 1950s. Abelam gardeners often worked on widely separated parcels of land for personal satisfaction, rather than choosing their plots on criteria of accessibility. This was due to a ‘feeling of duty to the soil’, a duty pursued to the point where the marginal productivity of land could become negative, as it might do ‘where a gardener takes delight in cultivating all the land to which he has rights’ (ibid., 526). Another instance of Abelam hybridity was their habit of taking pleasure from garden work (although only up to a point, because even the demand for labour by gardeners was considered ‘satisfiable’). Accordingly, Stent included garden-labour in the household utility function of his model, as a *positive* source of satisfaction. His analysis also incorporated the possibility that cultivators might produce commercial crops simply for prestige, even before marketing opportunities had become available. Again, as the transition proceeded, householders might continue stubbornly to produce food for their own household consumption, even though orthodox economic ‘rationality’ would seem to require a fully specialised, commercial mode of farming. These behaviours were ‘hybrid’, in the sense they evidenced continuing Abelam adherence to traditional subsistence values, in an agricultural system experiencing technical change and commercialisation during the transition to market exchange.

Even after markets and bureaucracy emerge in a society, some activities and attitudes left over from earlier socio-economic formations will likely continue. The instances discussed above are examples of what Hart called ‘residue’, seen as ‘parallel to’ what he called ‘the formal order’ (Ch. 2). The persistence of Hart’s residue—leading to what Stent understood as hybridity—is key to understanding many aspects of Melanesian economic behaviour in the colonial period, as also their resistance to becoming

‘institutionalised’ to market norms. Lingering beliefs and customs continued to influence the conduct of modern economic affairs by inducing hybrid behaviours. This occurred where what Hart calls ‘legal pluralism’ existed, where usages of custom are confronted by an imposed bureaucratic system. It might often be better for authorities to show some degree of ‘openness to plurality of form’ (Hart 2008a, 15) in the hope people’s energies can ‘be harnessed more effectively in partnership with bureaucracy’ (ibid., 19). This is an injunction to loosen up the regulatory frameworks governing engagement with formal market economies, to involve the poor more productively—perhaps especially in urban areas. The latter part of this study includes a series of case studies and an account of economic policy in late-colonial PNG, told in the hope of amplifying that message. First, however, it is necessary to consider dissenting voices, specifically those of Keith Hart and Chris Gregory, severe critics of the ideas of ‘subsistence’, ‘affluence’ and the ‘transition’ to market exchange.

Hart was introduced to Fiskian ideas in 1972 as a member of the Faber team while Gregory—a lecturer in Economics at UPNG—was familiar with Fisk’s model as part of the late-colonial orthodoxy. Without controverting Fisk directly, the Faber team had taken a politely sceptical view of his ideas, although Hart was privately dismissive. Some years later, in his *Political Economy of West African Agriculture* (1982), and without identifying Fisk personally, Hart rejected all analyses employing notions of transition to market exchange from a presumed ‘subsistence’ economy. Chris Gregory had become radicalised at UPNG after completing an ANU Master’s degree in orthodox economic theory. During a period of student unrest (see Preface) he became a leading participant in debates urging curriculum reform at UPNG, including the introduction of Marxist economic theory on an equal footing with orthodox economics. Late-colonial economic policy, with ‘Fiskianism’ at its centre, was also subject to attack.

Gregory would later challenge Fiskian neoclassicism explicitly in his Cambridge doctoral thesis, published as *Gifts and Commodities* (1982). His intention was ‘to forge a theoretical alliance between the political economists and anthropologists against the neoclassical economists’ (Gregory 1997, 42). Designed as ‘a critique of neoclassical economic development theory in general, and its practice in PNG in particular’, it represented subsistence economy as misconceived and subsistence affluence as a chimera. Neoclassical economists—armed with utility analysis—focused on the ‘subjective relation between individuals and objects of desire’, as embodied in ‘goods’. By contrast, Gregory (citing Bukharin) adhered to ‘the fundamentally “objectivist” approach of Political Economy’. This was concerned with ‘class relations in the sphere of production’. In 1970s PNG this played out as a contrast between ‘the *subjective relationship* between consumers and objects of desire’ (Fisk’s ‘incentive goods’) and ‘the *personal relations* between people that the exchange of things in certain social contexts creates’. The ‘things’ exchanged are ‘gifts’ and ‘commodities’. In Gregory’s argument, ‘the theory of gifts and the theory of commodities are compatible and together they stand opposed to the [economists’] theory of goods’ (Gregory 1982, 7–8, emphases in original).

Gregory (1982, 107–108) challenged Fisk by attacking the work of Bill Stent (discussed earlier). The latter had sought to adapt orthodox economic analysis to elaborate Fisk’s theory of subsistence affluence and to identify forms of economic hybridity occurring during the ‘transition’ to market exchange. Arguing from within the neoclassical paradigm (that is, attempting to falsify Stent in his *own* terms) Gregory purported to show a flaw in Stent’s analysis of the hybrid behaviour of Abelam cultivators. Two such hybrid instances consisted (first) in their working on widely separated parcels of land to the point where the marginal productivity of land became negative and (second) taking pleasure from garden work—up to a point of ‘satiation’—so that such labour could be

included in the household utility function as a *positive* source of satisfaction. Unfortunately for his case Gregory confused these two behaviours. Gregory's attempt to refute Stent's 'adaptive use' of orthodox microeconomic analysis reveals his failure to comprehend the latter's argument. The matter is abstruse and it seems unlikely many readers of *Gifts and Commodities* ever went beyond Gregory's assertions to examine the case on its merits.¹⁰ Stent paid the price often imposed on inter-disciplinarians, risking incomprehension or misrepresentation from both sides of the divide they seek to bridge.

At the height of his influence Fisk asserted a wider applicability for his ideas: 'In many parts of Africa ... subsistence agriculture maintains much of its population in a condition that I have described as "subsistence affluence"' (Fisk 1971, 368). Hart would have rejected Fisk's assertion, for he claimed that while the terms 'self-sufficiency' or 'subsistence economy' had 'been freely used in Western accounts of traditional African economies', they were in fact 'the antithesis of commodity economy'. Hart rejected any formulation of a West African 'transition from subsistence to commercial agriculture'. This was because 'commodity production was no stranger to traditional West Africa' and had occurred in both 'precapitalist' and 'noncapitalist' forms (Hart 1982, 8–9). His account stressed diversity, fragmentation, complexity and the layering of history to 'dispel any lingering images' of 'isolated, homogeneous peoples living in a peaceful matrix of subsistence agriculture' (*ibid.*, 35).

Hart's *West African Agriculture* did contain hints of something like affluence, and he gave grudging acceptance to the notion—albeit oversimplified in his view—of labour as the 'scarce factor' of production. Fred Fisk seems to have interpreted this situation as

¹⁰ For readers wanting clarification, Gregory's 'refutation' of Stent is discussed in my paper, Conroy (2012), 'A guide to subsistence affluence' (at 22–23, and in an Appendix at 44–45) at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2059357 or <http://dx.doi.org/10.2139/ssrn.2059357>.

‘self-sufficiency’ enabling affluence. Hart would counter that it was not so much a question of land, because people beset by warfare, isolation or environment were compelled to seek ‘membership in social groups capable of carrying out all the activities necessary to keep people safely in their chosen patch of territory’ (ibid., 10). Ian Hughes had earlier adopted a similar position. Fisk’s ‘self-sufficient’ groups generally had that capacity, ‘in principle’. The circumstance that they were constrained in their movement by enmities with neighbours, limiting their capacity to trade, supported this notion (Hughes 1977, 204).

Cultivator communities in West Africa were subject to external pressures towards self-sufficiency and, to the extent they possessed that capacity *in principle*, could be supposed to resemble Fisk’s *oikos*. But whereas the Fiskian representation of pre-colonial agriculture was static in the manner of neoclassical models, Hart’s argument was framed across some 500 years of history. Hart was critical of any narrative cast in terms of a colonial ‘intrusion’ of money or the cash economy into West Africa. Any suggestion that supposed self-sufficient household units, as conceived by Fisk, might have been subject to external ‘disruption’ in West Africa during that period was ahistorical. The next chapter will return to this argument to consider whether marketplace trade in West Africa had any counterpart in pre-colonial Melanesia.

CHAPTER 6

Traditional trade and exchange in Papua New Guinea

PREVIOUS CHAPTERS MADE THE CASE for an economic incapacity, posited as inhibiting Melanesian engagement with the colonial market economy. General purpose monies and market economy had no precedent in Melanesia, while pre-contact production and trade were alien to ‘Smithian’ principles of specialisation and exchange. PNG’s introduction to the market will be described in subsequent chapters, in which the informal economy lens is applied to historical case studies of Port Moresby, Rabaul and Goroka and their respective hinterlands.

The roots of the Melanesian ‘incapacity’ lie in the manner in which traditional trade and exchange were conducted. This chapter describes three ‘pre-contact’ trading systems, occurring in the regions in which the three colonial towns were later established. While each region was culturally distinct, the three trade systems had broad equivalents in west New Guinea, despite the influence of Monsoon Asia on accessible parts of the Bird’s Head. Broadly speaking, many generalisations concerning Melanesian economic

behaviour made in Chapter 4 are also applicable to the lands and peoples further east, later incorporated into modern PNG. The traditional trade systems of PNG to be discussed here are those of the interior Highlands, Tolai people in the Bismarck Archipelago, and maritime trade of coasts and islands.

Traditional trade in the interior Highlands

Ian Hughes' study of *New Guinea Stone Age Trade* (1977) applied, *inter alia*, to the region of what is now modern Goroka. He described trade linking the populations of those remote interior valleys, scarcely known before the 1930s, with the coasts, offering a *via media* between a mechanistic formalism and the romantic appeal of *The Gift*. For example, while accepting the Maussian commodity/gift distinction he nonetheless saw 'pure' barter and 'pure' exchange as abstractions. For Hughes, some degree of what Stent called 'hybridity' was the norm in exchange; while accepting that Melanesians sought psychic and political benefits from trade he was persuaded also of their concern for material gain. Despite having the 'in principle' capacity for Fiskian self-sufficiency, population groups strove nonetheless for utilitarian advantage through trade.

The inland trade system was 'a successful, functioning, integrating distributive system with its own market forces ...' (Hughes 1978, 310). It achieved a degree of economic integration across populations in different ecological niches and with different tastes and productive capacities. No mere formalist validator of orthodox economics, Hughes showed the trade was embedded in specific social arrangements (the system's 'own market forces'). What is described here as Stent's *hybridity* marked the processes of traditional production and exchange (Ch. 27) just as it would later influence how Melanesian highlanders responded to introduced market exchange. They had the capacity for self-sufficiency and staple foods seldom entered into their barter trade. 'Every man

took part in ceremonial gift exchange and bartered on his own account when opportunity offered; there were no professional traders, no merchants, no itinerant peddlars (Hughes 1977, 203). Consequently engagement in traditional trade not only enriched Melanesian cultural lives, it also increased material welfare and prepared them to engage later in van Leur's *secondary* trade, during the colonial era.

Hughes reconstructed the immediate pre-contact history of that 'great network of trade routes from coast to coast transcending the formidable barriers that continued to exist between thousands of mutually hostile groups' (ibid., 12). Three factors affected the patterns and scope of trade: access by trafficable routes to the sea, 'vertical zonation' due to altitude, and proximity to 'hard, fine-grained metasediments' for the manufacture of stone tools (ibid., 60–61). Aside from tools, other minerals enabled manufacture of products including pottery, pigments, salt and mineral oil. Traded stone objects included 'cooking stones, hammer and anvil stones, drill points, awls, scrapers, knives, bark-cloth beaters, axe blades and the prehistoric mortars, pestles and naturally weathered curiously shaped stones used in magico-religious rituals' (ibid., 132). Marine shells were of great importance, for these:

'were the trade goods which most frequently performed some of the functions of money ... Shells played their role as valuable ornaments with brightly coloured feathers, especially bird of paradise skins and plumes, and they shared their role as durable valuables with axe blades' (ibid., 184).

Hughes' discussion of the mechanics of trade is relevant to his claim that specialist traders were vanishingly rare in the interior. Exchanges occurred in 'a series of chain-like steps', a string of 'dyadic' encounters in which a series of intermediaries was involved. Hughes pointed to the absence of any 'proto-markets', representing local concentrations of trade. Neither were there obvious 'trunk

routes' for flows of goods, most of which 'had a multiplicity of alternative routes' (ibid., 206). A trade network extending across the whole island 'was created by and built up of the interlocking and overlapping personal trading networks of individual men' (ibid., 210). Not even the ceremonial grounds used periodically for major prestations served as proto-markets. Multiple decentralised barter transactions were quantitatively much more important. The reference above to 'the whole island' emphasises that external disruption of the patterns and cosmology of traditional trade in the pre-colonial period, such as was described for the western fringe of New Guinea (Ch. 4) was confined substantially to that region—the Bird's Head. Further east, the trade systems and social structures of inland Papuan peoples essentially mirrored those described by Hughes for eastern New Guinea. Another, and related, instance of external disruption occurred in waters off the Bird's Head. This is mentioned again below, in a discussion of the trade of coasts and islands.

Fiskian models were based on an assumption of small-group self-sufficiency (Ch. 5). But political and social change quickly transformed the trading landscape in Australian New Guinea. Soon after pacification by the colonial power, 'a remarkable expansion of trading, and in particular *travel* for trade' occurred, as fighting was repressed (ibid., 204, emphasis in original). This dramatic transformation made it difficult for later commentators to judge the merits of the Fiskian case. More than anything, the difference between the accounts of Hughes and Fisk is one of methodology. Hughes required Fiskians to re-examine their approach, and to decide whether the insights it yielded justified the stylisation of fact (for the purposes of neoclassical 'comparative static' analysis) on which it was based. On the other hand, Hughes' account of the inland trade (Hughes 1977) should also have obliged Chris Gregory to refine his application of Maussian constructs to the case of PNG in his later, very influential study, *Gifts and Commodities* (1982).

Tolai trade of the Gazelle Peninsula

The Tolai, whom Salisbury recognised as ‘affluent’, traded on the Gazelle Peninsula of East New Britain, in the Bismarck Archipelago (see Figure 5, p. 75). This was later the site of Rabaul, an important centre of colonial economic activity. Tolai conducted maritime trade with the Duke of York islands, a food-deficit area whose people exported canoes to the Gazelle, although Tolai were most interested in obtaining *tambu*, a form of shell money. They supplied staple foods to the Yorks, acquiring in return the shell from which they processed *tambu*, the principal item of Tolai wealth as well as their medium of exchange. Inland trade on the Gazelle was driven by local ecology, and displayed many similarities with barter in the New Guinea Highlands. Concerning traditional trade Bill Epstein wrote that:

‘the ecological situation on the Gazelle provided a particularly favourable set of conditions for the development of a complex system of indigenous trade ... A network of markets ran right through the area, goods passing through a series of intermediaries from the coast to the more remote inland settlements and vice versa, each locality ... trading both on its own account and as middlemen in long-distance trade’ (AL (Bill) Epstein 1969, 12).

As in the Highlands, intergroup enmities limited the distance over which exchanges occurred. Women traded on territorial borders, guarded by armed men. The latter were more interested in specialist commodities—ochre and megapod eggs, live cockatoos, headdresses, and stone clubs—than foodstuffs. Women exchanged foods at standard valuations influenced by traditional notions of ‘fair exchange’, denominated in terms of other commodities or *tambu*, while men were more opportunistic and engaged in some bargaining (Salisbury 1970, 175ff). The missionary Benjamin Danks was referring to this impersonal trade when writing that ‘markets are so arranged that two are seldom held near each other

on the same day. A man taking his produce to one market today, may take more to another tomorrow if he is so disposed, and it is safe for him to do so.' Distinguishing between coastal and inland trade, he noted that 'the greatest source of wealth to the coast tribes lies in their trading for the shell of the *tambu*, and in the products of their fishtraps and plantations' (Danks 1888, 310), whereas 'plantation produce is the one source of wealth for the inland people' (ibid., 315). Tolai profited from value added in processing raw shell, since 'the major part of the cost of *tabu* [sic] lengths is labour by Tolai' (Salisbury 1970, 187). Any man who acquired it could process shell, and younger men voyaged to obtain it. *Tambu's* scarcity derived from the effort to collect and process shell, coupled with the Tolai propensity to hoard it.

Danks concluded that possession and use of *tambu*, 'makes [Tolai] a commercial people: by the aid of intermediaries their commercial transactions extend to places they have never visited'. Exchange was individualistic, for 'they never, or very seldom, trust their money with the intermediary. He buys the article with his own money and sells it to them for theirs, making what profit he can from the transaction'. The scale was petty, for 'in purchasing a man will only buy just as much of anything as he requires for the time being. Hence *we see no wholesale business done*' (Danks 1888, 310–315, emphasis added). While Danks referred to 'a commercial people' and 'intermediaries', it is clear from the broader context he did not suggest any specialised trading. What he saw was akin to van Leur's secondary trade, conducted by subsistence cultivators, rather than any specialised or self-sufficient trading.

Tolai secondary trade involved what AC Gregory called relations between aliens, by means of alienable things—an impersonal mode of exchange differing greatly from transactions occurring *within* groups. The latter is the form of exchange described by Gregory as occurring between non-aliens, and involving inalienable things (Gregory 1997, 52). This led individual Tolai to hoard *tambu*,

retaining it for ultimate redistribution within their groups. Such an occasion, marking the end of a life, was associated with the procurement and exchange in ceremony of great quantities of foodstuffs. Tolai were exemplars of that ‘part of mankind’ described by Mauss (*The Gift*, 1925, 3) as ‘wealthy, hard-working and creating large surpluses’, exchanging ‘vast amounts in ways and for reasons other than those with which we are familiar from our own societies’.

Danks’ description of pre-modern Tolai trade shows the emergence of Gazelle marketplaces and a regular cycle of market days. This contrasts with Hughes’ account of highland trade, from which even ‘proto-markets’ were absent. Together with Tolai use of *tambu* as a medium of exchange, this suggests a system of commodity exchange among the most advanced in pre-contact PNG. However a reading of Hart’s *Political Economy of West African Agriculture* (1982) suggests that these Tolai markets were comparable with only the *least* advanced rural markets in pre-colonial West Africa. Commodity exchange was widespread in West Africa, whether in ‘precapitalist’ or ‘noncapitalist’ forms or by assuming increasingly capitalist forms, and the evolution of systems of commodity economy had been ‘synonymous with the expansion of the market’ (Hart 1982, 8). Even in the pre-colonial era, and alongside barter, commodity exchange was facilitated by special purpose currencies, which included metal bars, cowrie shells, cloth, cattle, slaves, and tokens from trading houses (*ibid.*, 115), while in the most ‘advanced’ rural markets in pre-colonial West Africa, among Nigerian Hausa, ‘all foods entered the market as commodities and cotton was grown extensively for textiles’ (*ibid.*, 9).

The West African markets most comparable with those of the Gazelle were local, rural and remote, providing ‘opportunities to exchange small surpluses of staple; to increase the variety of foodstuffs in the diet through purchase of garden produce and hunters’ catches; to acquire the minute quantities of salt, cloth and similar imported luxuries that consumers could afford; to buy

handicrafts, utensils, and the like (sometimes produced by part-time specialists)' (ibid., 37). But even here the variety of 'special purpose currencies' employed and the degree of specialisation and exchange in manufactures suggest qualitative differences between the regions. In terms of the sophistication of pre-modern trade, any overlap between these rural markets in West Africa and those of the Gazelle appears to have been slight indeed.

Hart would probably not endorse this conclusion; he has been critical of any narrative cast in terms of the 'intrusion' of money or the cash economy into West Africa. Such a scenario implies 'an abrupt confrontation that never took place in modern times', so that 'the penetration of the market into subsistence agriculture cannot ... be represented as the disruption of a self-contained unit of food production and consumption at the household level' (ibid., 9). Recalling oblique criticism of Fisk in the Faber Report (ODG, 1973), this comment implies Hart's rejection of the Fiskian narrative, of which he was well aware. Hart returned to the subject later to clarify what he characterised as an 'insidious' opposition between 'subsistence' and 'market' in my own thinking. In his study of *West African Agriculture*, he noted:

'I replaced the idea of subsistence with a pressure towards local self-sufficiency *which was never divorced from commerce*. Mauss and Polanyi both held that local societies may aspire to self-sufficiency, but they never achieve it, so that markets and money (often taking forms quite unlike ours ...) are necessary to extend the reach of such societies for purposes of trade with foreigners' (Hart 2012a, emphasis added).

Despite this judgement, my argument in this study proceeds from the proposition that Hart's expression—an 'abrupt confrontation'—*is* a reasonable description of historical events in 'lucky' places in PNG, where 'local self-sufficiency' was only ever modified by such 'commerce' as Ian Hughes described. The

discussion below of maritime trade will introduce new perspectives concerning the meanings of subsistence and commerce in certain less lucky regions of Melanesia, but without compromising the essential argument here. The ‘penetration’ of the market into PNG was indeed a ‘disruptive’ event.

The trade of coasts and islands

Along the southeastern margins of the island of New Guinea the most significant traditional system of trade and exchange was conducted by trans-coastal voyagers. The trade conducted by two peoples, the Motu and Mailu, extended hundreds of miles in an arc north and south of the Motuan village of Hanuabada. The village was close to the site of modern Port Moresby, and this narrative will later consider the importance of that circumstance for colonial

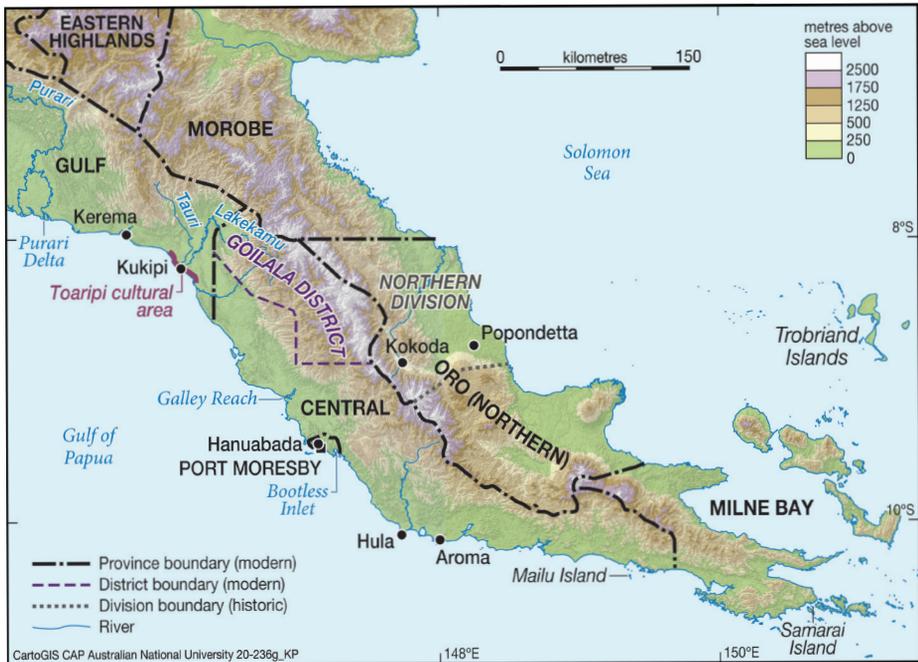


Figure 4: Territory of Papua (part)

history. Traditional Motu and Mailu trade were elements in a larger, interlinked set of trade routes strung along much of the coastlines of New Guinea. But there was at least one notable gap in this ring, situated south of the Bird's Head in the southwestern quadrant of New Guinea. Ian Hughes noted that 'a trans-coastal canoe trade was absent' from this region (Hughes 1977, 32) and it has been suggested that endemic violence, associated with predation and the exaction of tribute by the Moluccans of Monsoon Asia, acted to suppress indigenous maritime trade along that coast (Goodman 1998, 425). This was another element in the wider disruption of pre-colonial trade on the Bird's Head by external forces (Ch. 4).

In the part of New Guinea which became modern PNG, traditional maritime trade was markedly different from the inland trade described by Hughes. In pre-colonial times coastal regions exhibited 'an intensification of trading as an economic option which surpasses anything inland'. Less *lucky* than the Highlands or the Gazelle in terms of natural resource endowment, many coastal places lacked 'not only sufficient space and suitable climate for an agricultural basis for life, but also a variety of other necessary raw materials' (Allen 1982, 197). This certainly applied to Hanuabada, which nonetheless sustained a population much greater than its own dry and infertile land was capable of supporting. Hanuabadans possessed inadequate resources for agricultural subsistence, let alone ceremonial exchange, but like the people of Mailu they specialised in domestic pottery production. Both groups traded pottery and other valuables for food along their respective swathes of coast.

From studying this trade Jim Allen concluded that Melanesian specialist traders 'use trade as a basic mode of *subsistence procurement*. They are not merchants, they are subsistence traders' (Allen 1985, 50, emphasis added). Moreover, 'Melanesian specialised trading villages are very different from specialised traders as a class' (ibid.). Implicitly rebuking both anthropological formalists and Fiskian economists, Allen asserted that the trade of coastal

potters was not ‘the disposal of surplus production for profit’. This amounted to rejecting any analogy between such trade and what in classical political economy was called the ‘vent for surplus’. A mechanism derived from Adam Smith by Hla Myint, this enabled an agricultural community to break free of its subsistence confines, reaping the benefits of specialisation and exchange in a wider world (Myint 1958). Dismissing such ideas as ‘deterministic’, Allen argued that coastal trade in the southeast could not be explained ‘by laws of trade which are immutable across space and time’. Instead, Motu and Mailu were ‘people for whom trade was a basic subsistence mode, as well as a central factor in their social lives’ (Allen 1984, 409–411).

Thomas Harding (1994) recognised that every traditional Melanesian society had engaged in trading, and at least some ‘retrading’. He identified characteristics distinguishing specialised maritime traders from traders in agricultural societies, including the advantages of water transport in the carriage and distribution of commodities. Jim Allen also identified low transport costs and the advantage bestowed on certain communities by the centrality of their locations. Location was crucial for ‘retrading’, that is, for the middleman function—passing on goods received in trade to third parties (Allen 1985, 51). The importance of geographic centrality was supported by Irwin (1978, 406) who described Mailu Island as ‘the point of articulation of both local and long-distance trade networks’—a description applying equally to Hanuabada on its own stretch of coast. In time, Hanuabada’s centrality would inspire the London Missionary Society to establish its headquarters there.

Harding concluded that specialised maritime traders displayed a ‘twin dependence’ on imported staple foods ‘for ordinary consumption and festive distribution [i.e., Maussian exchange]. Their *political or prestige economies* relied upon trade-created surpluses’ (Harding 1994, 118, emphasis added). Whereas, for example, ‘affluent’ Tolai had agricultural resources enough to fund their

own ‘political or prestige economy’ the Motu and Mailu could do so only by trading. Harding also found that successful maritime traders displayed a ‘production orientation to trade’, achieving high levels of output and standardisation of their commodities, such as the pottery produced on the southeast coast (ibid.; also Allen 1984, 423; Irwin 1978, 409–411). But the Motu and Mailu did not abandon subsistence in order to maximise production; they continued to fish and to engage in the voyaging culture of ceremonial exchange, while their trading and ‘retrading’ served to augment their capacity for subsistence and ceremony. We may recognise their system of production and exchange as prefiguring van Leur’s ‘secondary’ trading for, as Jim Allen said, ‘they are not merchants, they are subsistence traders’.

Similarly, Harding concluded that ‘the trader did not emerge as a distinct occupational role in traditional Melanesian society’. Merchants, in the sense of ‘specialists in trading’, whose ‘livelihoods rested exclusively on middleman transfers in the absence of local production for export’, were nowhere found in Melanesia (Harding 1994, 118). Turning to linguistic evidence, Harding found that ‘there does not appear to be a monolexic term that can be glossed as trader or merchant in any Melanesian language (whereas, of course, every language has a term for trade partner or trading friend)’ (ibid., 123, n14). Regarding people such as the Motu and Mailu, this led Harding to conclude that what he called their ‘production orientation to trade’ was decisive in their conception of themselves: ‘The specialist maritime traders were likely to think of themselves in terms of their distinctive *productive* roles, and hence their contribution within the regional division of labor, rather than as traders’ (ibid., emphasis added).

Harding’s conclusion confirms the case made here for recognising colonial Melanesian trade as ‘secondary’. As Harding argued for the pre-contact period, ‘that neither groups nor individuals were conceived primarily as traders reflects the fact

that trading was a household function, *one of several special activities pursued* (ibid., emphasis added). It is reasonable to conclude that Harding's 'production orientation to trade' carried over into the modern era, when what Scarlett Epstein described as the 'producer-seller' became the archetypal trader in informal monetised produce markets (Epstein 1982). Therein lies the Melanesian singularity which, together with Fisk's rural affluence, underlay the situation described here as a conundrum.

CHAPTER 7

National capitalism in the three New Guineas

ECONOMIC ACTIVITY CAN ONLY be seen as informal by reference to some model or ideal of formality (Ch. 2). Such a model emerged in the nineteenth century with the rise of Weberian bureaucracy, which served to underpin what Hart called ‘national capitalism’. This was a ‘synthesis of the nation state and industrial capitalism: the institutional attempt to manage money, markets and accumulation through central bureaucracy within a community of national citizens that is supposed to share a common culture’ (Hann and Hart 2011, 30).

German national capitalism developed a coherent ideology to inform its colonial policies, and economic informality was among its artefacts. Informality arose in response to the introduction of market economy, as administered by an alien bureaucracy. It became apparent when subject peoples proved unable (or unwilling) to conform with bureaucratic norms defining ‘appropriate’ economic behaviour. The Germanic impulse from which modern bureaucracy originated had distant consequences in the Pacific possessions of the Reich where, as previously mentioned (Ch. 1),

New Guinea was divided between three European powers in the last quarter of the nineteenth century. As shown in Figure 2 (p. 3), German New Guinea (GNG) occupied the northeast quadrant of the ‘big island’, together with the Bismarck Archipelago.

Woodruff Smith discerned two colonial ideologies contending for influence in Germany between 1840 and 1906, described as ‘emigrationist’ and ‘economic’. The former called for emigration to colonies as a remedy for contemporary German ills. The latter saw colonies serving German economic interests as sources of raw materials and export markets, but without large-scale emigration (Smith 1974, 641–642). The emigrationist party aimed to ameliorate domestic social disruption and unemployment, the result of industrialisation and structural change. The ‘economic’ tendency originated with Friedrich List (1789–1846), an influential forerunner of the German ‘historical school’ who advocated pursuing industrial growth in a German core, supported by an agricultural periphery. Initially the periphery was to be in Eastern Europe—where it would have catastrophic echoes in the twentieth century—but later it was seen as better placed in the tropics. When Germany acquired tropical dependencies, including GNG, it sent traders, missionaries and officials carrying as their conceptual baggage the institutions of bureaucracy and market exchange. Their preconceptions and institutional innovations explain much about the character of these colonies.

In the face of the ‘preclusive imperialism’ practised by the British—clearly evident in New Guinea—German imperial expansion served domestic objectives. It offered ‘a means of integrating a state torn by class differences, whereby the enthusiasm for colonies and crude anglophobe nationalism could be manipulated as crisis ideologies for electoral and party political purposes ...’ (Wehler 1970, 153). State propaganda aimed at creating a climate of opinion supportive of overseas adventures during the ‘second wave’ of European colonialism. For example,

over six months in 1896 a 'Colonial Exhibition' in Berlin 'gave curious Germans the opportunity to observe the "natives" of their colonial empire living in "native villages" in Berlin parkland and performing ... as if in a circus or a zoo' (Firth 1982, 151). The New Guinean delegation to this event consisted of six Tolai men and a boy. A contemporary German account recorded they and their African counterparts 'were taken on sight-seeing excursions ... so as to learn lessons of "respect and subservience to the clever white man"' (ibid.). But when Richard Salisbury met the last survivor of the Tolai party in 1961 he found his memories rather more matter-of-fact. His informant 'remembered that Masai and Cameroonians danced in Berlin ... and recalled the quality of German beer' (Salisbury 1970, 34, n7).

Propaganda might explain the tenor of displays mounted at the Berlin Exhibition but not say much about the underlying rationale for German colonisation. Action to expand and develop Germany's overseas possessions was guided by the 'Treitschkean formula', a doctrine which by 1900 had 'become official German policy ... that Germany's position as a power depended on her overseas empire' (Moses 1969, 53). Emigrationist and economic schemes of colonisation were implemented in various German possessions, while in East Africa under Governor Rechenberg (1906–12) both models were tested. The Governor was firmly in the economic camp, incurring the enmity of German farmer-colonists by investing in a railway intended to link native smallholders with markets (Smith 1974). Colonial Secretary Dernburg backed Rechenberg and Woodruff Smith commented that Dernburg had attempted 'to apply economic colonialism in a consistent manner throughout the colonial empire' (ibid.).

The colonial enterprise inspired by national capitalism came to GNG by degrees from the 1870s. In a neat correspondence with the Weberian model of bureaucracy in Bismarck's Berlin this occurred primarily at the hands of the highly bureaucratised

Deutsche Neuguinea-Kompagnie (the German New Guinea Company). It was a private, for-profit entity to which the German Government delegated administrative responsibility for its new possession. Under Kompagnie recruitment policies the great majority of European staff 'were either retired army officers or had taken leave-of-absence from a government position in Germany' and were 'administrators rather than plantation managers' (Ohff 2008, 257). This entrenched a markedly Teutonic bureaucratic culture in GNG before 1899 (when the Kompagnie yielded control to the Imperial administration). This culture was sustained until the ouster of the Germans by Australia in 1914, and nowhere was it more firmly impressed on Melanesia than among the Tolai of the Gazelle Peninsula.

Given that the subsequent Australian administration commenced with this German template, and was itself military in composition, it is reasonable to suppose that elements of a distinctly Germanic bureaucratic culture lingered well into the Australian period. This is supported by Charles Rowley, who noted that 'Australian policy statements and legislation suggest that German practices were retained in the Territory of New Guinea under the Australian military administration' (Rowley 1965, 90). Such an official culture provided the model in opposition to which informality may be defined in the circumstances of German (after 1914, Australian) New Guinea. This is consistent with Hart's view that national capitalism found its antithesis in informal economy, and his characterisation of 'the informal/informal pair' as representing, respectively, 'bureaucracy and popular self-organisation' (Hart 2008a, 5).

National capitalism's impact was much weaker in British New Guinea (from 1906, Australian Papua). There the bureaucratic culture was less commercially focused, more concerned with native welfare, and relatively punctilious in regard to matters of traditional land tenure, all to the frustration of its European trading and

planting communities. In the case of west New Guinea, due to Dutch preoccupation with their 'Malay' possessions the engagement of this remote Papuan territory with the world economy more closely resembled the mercantile capitalism of previous centuries than the industrial capitalism of nineteenth-century colonial powers. Until almost the end of that century the Bird's Head region on the eastern frontier of Dutch territory (now the Indonesian province of West Papua) remained vulnerable to a pre-colonial regime of trading, tribute and plunder imposed by Moluccan sultans and Seramese mariners (Ch. 4).

GNG was linked to industrial capital by the demand for vegetable oils, which increased rapidly in Europe and North America from the late nineteenth century, stimulating investment in the production and processing of copra. By contrast, British New Guinea/Australian Papua's embryonic plantation industry largely missed the copra boom of the pre-war period to 1914, while Dutch New Guinea had no plantation sector to speak of. Australian Papua never achieved a surplus on merchandise trade. Gold mining, an enclave activity with quite limited and localised benefits, was its principal link with the international economy until the Great War. Dutch efforts at 'development' were largely confined to an energetic but necessarily limited spurt of activity between 1949 and 1962, when the writing was on the wall for this last fragment of the Netherlands East Indies. This study does not concern itself further with the Dutch colony.

Economic informality, as it emerged in GNG and Australian Papua, was defined by the nature of the prevailing bureaucratic regulation and its commercial culture. It would be surprising if there were not differences between the two colonies, reflecting their different populations and economies and divergences between their bureaucracies. The presence of Asian workers and entrepreneurs in German (later Australian) New Guinea, by contrast with Australian Papua's adherence to 'white Australia' principles,

provided a rich point of comparison. So did the disparity in levels of investment and market output in the two territories.

The narrative following will examine the response of native peoples to the influence of the expatriate-dominated market economy in Rabaul and Port Moresby from the 1870s, and in Goroka from the 1930s. The intention is to sketch the outlines of an emerging indigenous informal economy in the period to the independence of a united PNG in 1975. As previously mentioned there is an intriguing synchrony here. At the end of that period a visiting World Bank/UNDP (United Nations Development Programme) team, the Faber Mission, presented recommendations for the economic policies of the soon-to-be-independent State. Among these were measures to stimulate the growth of an informal 'sector' of economic activity among the indigenous population, a sector the Mission noted was grossly underdeveloped. PNG was one of the first ex-colonies anywhere in which the 'informal sector' became an issue of public policy, whether or not it was appropriate in the circumstances of the time.

The next chapter marks the beginning of Part B of this study, devoted to the early colonial period before the Pacific War (1941–45). Chapters 8 and 9 deal with the experience of German (later Australian) New Guinea, followed (in Chapters 10, 11 and 12) by an account of contemporaneous events in British New Guinea (later Australian Papua). Part B concludes with a narrative of the short period of colonial contact in the central Highlands of Australian New Guinea before the war (Ch. 13). The account of these three regions focuses particularly on rural economic activity, seen in terms of formality and informality and encompassing the extension of rural activity into urban areas, and urban reach into rural areas. In the case of German/Australian New Guinea these processes created rural-urban linkages, inducing reciprocal flows of people, information and commodities between the town of Rabaul and its hinterland on the Gazelle Peninsula of East

New Britain, in the Bismarck Archipelago. Extending the idea of economic informality to rural activities and identifying a distinct *rural* informal economy is justified by analytical dividends. Central to the narrative is the early colonial experience of the Tolai and Chinese populations. While the Gazelle Peninsula in the colonial period was in many respects atypical, it provides rich material for a case study of the transition from subsistence in an economically advanced (or ‘lucky’) region, to which the formal/informal lens may be applied usefully.

PART B

**FROM EARLY
COLONISATION TO
THE PACIFIC WAR**

CHAPTER 8

German and Australian New Guinea before the Pacific War

AS A PLACE FIT TO BE DUBBED ‘lucky’ by Michael Lipton, the colonial Gazelle Peninsula (Figure 5) exhibited ‘the components of the classical growth pattern—initial foreign capital flows, promising and elastic export crop markets, spare land, and people able to finance savings to transform it’ (Lipton 1984, 45). Expatriate plantations and associated services were established and a comparatively high standard of infrastructure installed. Fertile land was available and German administrators acquiesced in the alienation of significant areas by foreign investors. External markets were generally favourable for staple export crops (copra from the late nineteenth century, cocoa in the twentieth). And the indigenous Tolai demonstrated an impressive propensity to save for investment in introduced economic activities (TS Epstein 1968; Salisbury 1970).

Albert Hahl landed on the Gazelle in 1896. He was impressed by the ‘vigour’ with which Tolai traders responded to the presence of colonists: they grew food for plantation labourers, doorknocked settlers with produce for sale and attended traditional

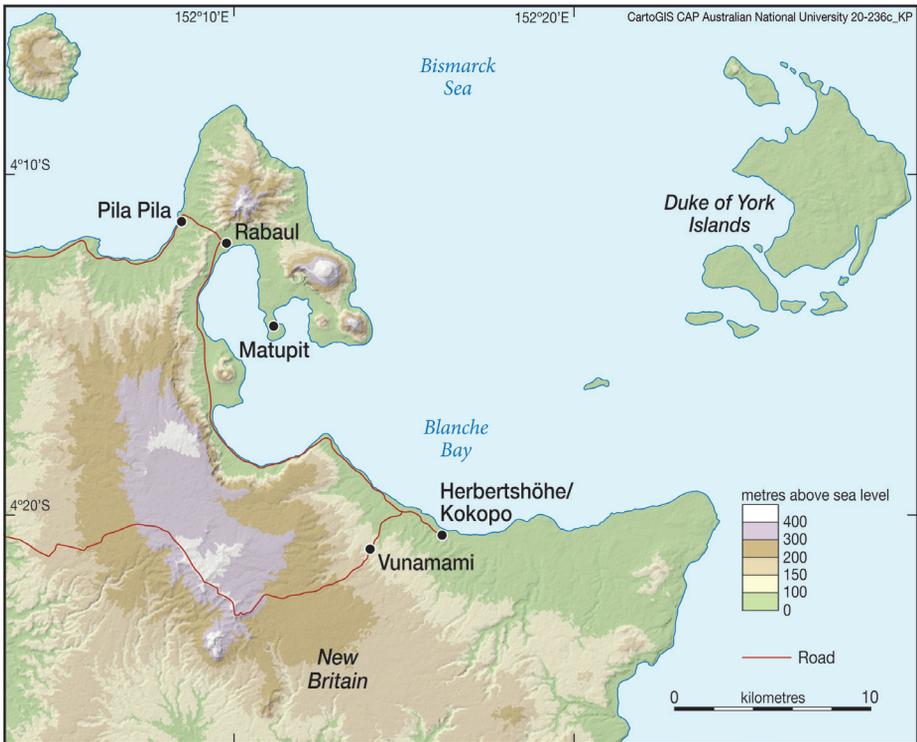


Figure 5: Rabaul and the Gazelle Peninsula

market-places in their hundreds. ‘Hahl wanted to encourage such trading and within weeks of his arrival was planning a network of roads ...’ (Firth 1983, 62). Their vigorous response to market opportunities seemed to mark Tolai out from other New Guineans:

‘all the conditions were present for a rise of indigenous productivity and an increase of wealth, but the fact that the Tolai quickly took advantage of the new opportunities whereas other groups, apparently similarly placed, did not, suggests that indigenous Tolai *pre-dispositions* have also to be brought into the equation’ (AL Epstein 1969, 21, emphasis added).

This view needs tempering. Gazelle traditional trade was characterised by ecologically-based specialisation, facilitated by

tambu, a shell-money medium of exchange. It was conducted through a network of customary marketplaces, where trading was essentially a secondary activity, supplementary to subsistence agriculture. I have suggested (Ch. 6) that Tolai 'boundary' marketplaces were comparable only with their *least* sophisticated equivalents in West Africa and that any overlap between Melanesian and African modes of commodity exchange was slight. Epstein's assertion of a superior Tolai predisposition to trade should be seen as applying strictly in the PNG context.

Tolai used *tambu* for many transactions, quotidian and ceremonial, facilitating both utilitarian truck and barter and the Maussian economy of *The Gift*. Debating whether *tambu* might be regarded as general purpose money is less important than accepting that the Tolai need for it cannot be analysed satisfactorily using orthodox economic concepts such as the Keynesian 'transaction' and 'asset' demands for money. The latter term is especially problematic. The word 'asset', with its implication of *commodity*, is a pallid representation of the qualities with which Tolai imagination invested *tambu*. Their use of *tambu* did demonstrate the commonly described economic attributes of currency (means of exchange, unit of account, store of value) and, consistent with her view of the Tolai as 'primitive capitalists', Scarlett Epstein (1968) tended to emphasise these utilitarian qualities. Others accepted that the value Tolai perceived in *tambu* was less material than a matter of the potential for power, prestige and influence accruing to its holder (AL Epstein 1969, 230–231). Salisbury explained that, while Tolai 'encourage people to acquire cash to buy material comforts', they 'all recognise that only *tabu* (sic) can maintain the fabric of social relationships' (Salisbury 1970, 278).

Salisbury is seen here as a precursor of informality who privileged the role of services in the transition from subsistence, as labour shifts out of agriculture (Ch. 3). Among the Tolai this occurred in 'sequences'—a notion he drew from Rostow's (1960)

‘stages of growth’. His historical account is helpful for understanding Tolai accommodation to ‘the market’. First, from about 1875 Tolai bartered surplus coconuts with Europeans for trade goods and, in a second stage, from the 1890s they expanded their plantings. Third, from the late 1930s they ‘added value’ by adopting hot-air copra driers. Finally, in the late 1950s they adopted cocoa as an export crop, together with its mechanised processing (Salisbury 1970, 13). These sequences required ‘a succession of technological changes, each one associated with a political change’ to trigger transfers of labour-time from agriculture to services. Many services were communal, involving the creation of social capital and public goods in communities. This was made possible by Tolai ‘self-sufficiency in food supplies’ (Salisbury 1971, 60). He also described individuals responding to opportunities for private profit, through what van Leur called secondary trade, causing an informal market economy to emerge in the rural hinterland of Rabaul. Salisbury showed prescience by foreseeing the possibility of what (following Geertz and Higgins) he called an urban involution of services (Ch. 3).

German national-economic purpose and the indigenous pushback

Geopolitical influences shaped colonialism in New Guinea, as German national capitalism adopted a more assertive *Weltpolitik* from the late nineteenth century. The Wilhelmine state dispensed with the *Kompagnie in 1899*, a policy shift reflecting the ‘Treitschkean formula’ (Ch. 7). By 1907 Colonial Secretary Dernburg had enunciated a quite explicitly ‘material and mercantilist’ economic ideology, defining a ‘national-economic purpose’ for Germany’s colonies. This required ‘an exchange of goods and men for culture and civilisation’ whose goal was ‘the acquisition and development of raw materials’ (Moses 1969, 53 and n46). This policy extended to GNG, providing ideological foundations for a Weberian

rational-legal bureaucracy in Rabaul. Pushback against this system would produce the particular modes of informality observable among indigenous Tolai and Chinese immigrants.

In GNG the raw material of greatest interest to Berlin was copra, for vegetable oil. Governor Hahl thought ‘any real development of the country would be possible only if ... German New Guinea succeeded in bringing the natives under a well-regulated system of administration and encouraging them to work for the good of the country and thereby for their own good’ (Hahl 1980, 10). Dernburg’s ‘scientific colonialism’ allowed for production by indigenous ‘peasants’ as well as foreign plantations (Firth 1983, 89) but where the latter mode was preferred (as in GNG), national-economic purpose required wholesale labour recruitment. Plantation workers were to be contracted under formal indenture. Their recruitment involved varying degrees of suasion but Dernburg rationalised this as ‘impart[ing] pleasure in work and gainful activity’ to the colonised (cited in Moses 1969, 53).

Signing indentures represented formal compliance by a subdued population with the colonial will. But after a few years Tolai became increasingly resistant to contracted labour, an early instance of what was to become a pattern—Tolai pushback against unwelcome bureaucratic impositions. Head taxes were imposed in 1907 to make them comply, but when Hahl raised the matter at a meeting with Tolai elders he was told:

‘We have the money ready and will hand it over. But we have heard that the plantations anticipate that we will now have to send our young men into employment to earn money for the tax. This will not happen. The money drops down to us from the palms which we own and which we planted at your behest’ (Hahl 1980, 112).

The Tolai were in Salisbury’s second ‘stage’, establishing copra smallholdings; it was left to other, less ‘lucky’ places to supply

labour. Collecting fallen coconuts, planting palms and processing copra, done by stay-at-home Tolai smallholders, were informal responses to—the repudiation of—early German attempts to impose a bureaucratic model of formal employment. Although Hahl’s initial encouragement of what he called Tolai ‘private agriculture’ was consistent with Dernburg’s ‘scientific colonialism’, it worked against the primary goal of recruiting labour. The GNG Annual Report for 1910–11 canvassed agricultural extension to increase productivity on native smallholdings, but noted that ‘European enterprises are anxious to secure the young men for themselves ... while the regular cultivation of their own land would make the people more than ever inclined to remain at home’ (cited in Rowley 1958b, 242–243).

In this period Tolai benefited from Lipton’s ‘promising and elastic export markets’ as colonial copra traders competed to buy their unprocessed coconuts. Early armed conflict suggested the wisdom of accepting Tolai as ‘peasant proprietors’ although some might be induced to perform day-labour. After the Pacific War prosperous Tolai would themselves become employers, usually of workers from elsewhere. But such arrangements would not be contracted under labour ordinances. Tolai labour-hire, like their copra production, would be informal. Consequently, from the early twentieth century the goal of bureaucratic activity became to maximise opportunity for European traders and planters in their dealings with independent native producers, who were to be cultivated as consumers. Tolai were to comply with a regulatory regime designed to achieve certain objectives, as links in a copra supply chain leading to German trading houses. Their earnings were to be recycled to those same houses as Tolai embraced new forms of consumption. This, and numerous similar instances in both the German and Australian periods, demonstrated the colonial State’s determination to provide bureaucratic protection to metropolitan capital, to the detriment of indigenous enterprise

(Ch. 2). However the Tolai response often failed to meet German expectations and their pushback threw up many instances of informal economic behaviour. GNG's Chinese community was an important influence because they often cooperated with Tolai in ways calculated to frustrate bureaucratic objectives.

Hart distinguished between 'legitimate' and 'illegitimate' informal activities, with legitimacy defined by laws and the morality of 'respectable' citizens. In Rabaul respectability resided in the small population of colonial officials, planters and traders whose bureaucratic culture set standards for economic activity. The town was stratified by race and zoned in ethnic quarters, with 'illegitimate' activity quarantined largely within its Chinatown. 'The prosperity of New Guinea lay in creating an ordered existence ... [for] New Guinea life and thought must be assimilated to that of the German people if the Reich's national ends were not to be subverted' (Hempenstall 1978, 160–161). National capitalism depended on a citizenry institutionalised to national goals and broadly accepting of the associated norms. Modern nation-states might fit this description in varying degrees but scepticism is more appropriate for colonies, in which the compliance of alien peoples was assured by real or implicit coercion. Western bureaucratic norms had no precedent while any suggestion of a 'common culture' (Ch. 7) is fanciful, at least until the appearance of an indigenous bourgeoisie. So long as people are (in Hart's terms) only 'partially institutionalised' to the economic orthodoxy of the state, their economic behaviour will display 'palpable discrepancies' in relation to the 'prevalent intellectual model' (Ch. 2). Informality will occur.

If the earliest evidence of this was seen in a Tolai preference for independent production, a later instance flowed from German efforts to substitute coinage for *tambu*. For a period after 1887, when the *Kompagnie* first circulated silver coinage on the Gazelle, two rival currencies competed. Authorities had earlier accepted *tambu* for taxes and fines, and in 1899 the new administration

found it necessary to pay *tambu* to induce Tolai to work on the roads (TS Epstein 1968, 35–36). It became evident that Tolai preferred shell currency in exchange for coconuts, rather than silver or trade store goods (Salisbury 1970, 284–285). Since Tolai tended to hoard *tambu* this acted as ‘a dampener on trade’ (AL Epstein 1969, 22). As international demand for vegetable oils grew the terms of trade shifted so decisively in their favour that Tolai were able ‘to *insist* on payment in their own shell-money’ (ibid., 21, emphasis added). As Stewart Firth explained, with some admiration:

‘when Europeans wanted to buy copra they had to turn to the Tolai for the necessary shells and were charged at “absurdly high” exchange rates. Playing one trader off against another, many Tolai had also persuaded their foreign customers to accept whole coconuts instead of ready-cut copra. For a colonised people who were supposed to be learning valuable habits of industry in the service of their masters the Tolai were inconveniently independent’ (Firth 1983, 69).

As *tambu* disappeared into Tolai stockpiles, its scarcity hampered copra trading. Tolai pushed back against German attempts to substitute an *ersatz* alternative and some traders were forced to finance Tolai shell-collecting expeditions or to voyage to the source themselves (TS Epstein 1968, 35). Although more *tambu* was produced, supply was relatively inelastic while demand for copra continued to rise. For a brief period at the end of the nineteenth century the exchange value of *tambu* appreciated dramatically against the German silver mark (Salisbury 1970, 284–285). Differential access to *tambu* disadvantaged major trading houses, putting pressure on the authorities, who also hoped Tolai would consume more trade goods if paid in cash. ‘Tolai control of the money supply was intolerable to the German administration, for it meant that profits went to natives rather than to planters’ (ibid.). German ordinances forbade the use of

tambu in trade with Europeans from 1901 but this measure was not wholly successful. *Tambu* continued to change hands in covert (informal) trade although the mark recovered as more copra was traded for cash. This prompted Salisbury to claim that ‘in the first tussle between Tolai and German financiers the Germans won, but only at the cost of repressive political action’ (ibid.). Salisbury’s assertion of a ‘currency war’ may perhaps be discounted as formalist exuberance although it does capture something of the difficulty the Reich experienced in institutionalising Tolai to a formal legal tender.

Similarly, the head tax of 1907 was intended to force Tolai into formal contract labour; instead it propelled them further along the path of independent (informal) smallholder production. Further disappointing the Germans, Tolai were slow to adopt new forms of consumption. They seemed to hoard cash just as they did *tambu*. After initial enthusiasm Tolai spending stalled towards the end of the nineteenth century, causing GNG to suffer a perennial shortage of specie. This forced authorities to maintain coinage in circulation by annual imports of silver. Nor did increasing cash incomes after 1901 translate immediately into higher demand, suggesting Tolai were no more malleable in serving the national-economic purpose as consumers than they had been as labourers. However Scarlett Epstein (1968, 41) calculated a threefold increase in their purchases of clothes and textiles between 1905 and 1913, suggesting that by the end of the German period Tolai had come to appreciate a wider range of commodities.

Further discussion of German attempts at bureaucratic control of trade between 1907 and the outbreak of the Great War is provided in Chapter 9, dealing with the Chinese. This is appropriate because the primary goal of much regulatory effort was to formalise (and thereby to contain) burgeoning Chinese economic activity, in favour of European interests. Tolai were affected by these restrictions and many colluded with Chinese to

avoid mutually-irksome regulation. Discussion of Chinese activities will reveal the synergy involved in Tolai-Chinese economic relationships and will emphasise their largely informal character, by comparison with the formality of European enterprise.

By the outbreak of war and the Australian invasion, Tolai engagement with the market economy included production and processing of copra, various forms of service activity, and wage labour. Village production of copra in the Bismarcks totalled 5,000 tons, some 80 per cent by Tolai, while from 1896 to 1913 the per capita value of their copra almost quadrupled (TS Epstein 1968, 40–41). In Vunamami, ‘around 1910 rich men began buying horses and buggies’ and were building metal-roofed houses. Tolai house-building and church construction suggested that ‘many Tolai had invested in tool kits and were in business on their own account’ (Salisbury 1970, 243). The volume of foodstuffs produced for market continued to increase to meet the needs of a growing plantation labour force, while the informal marketplace in Rabaul had become an important food source for the European, Chinese and non-Tolai populations. In the peri-urban village of Matupit people engaged with the urban economy through various forms of ‘off-farm’ formal wage employment (ship-building, stevedoring, ships services and domestic service) as well as vending their garden produce and fish (AL Epstein 1969). By 1914 rural informal economic activity was well-established, albeit with varying degrees of engagement as between emerging Tolai entrepreneurs and their fellow villagers, and between coastal and peri-urban communities and the more remote villages of the interior.

The Australians in New Guinea

The Germans were ousted in 1914 but although the incoming military administration might adopt a new, Australian ‘national-economic purpose’, the Germanic bureaucratic culture remained. Believing

their contracts no longer binding, many labourers ‘deserted’. They were soon put right: ‘the new colonial masters went to considerable trouble explaining ... that, although the Germans were no longer in control ... “the situation was just the same as before”. It was the old colonial order under new management’ (Firth 1983, 2). It appears Colonel William Holmes, the Australian Commander, had only ‘vague’ instructions. ‘He was to seize and occupy. The task then was to maintain a colonial asset in good working order, with an eye to international law’ (Rowley 1958b, 3). Although Australia’s international obligations would be defined in 1921 by a League of Nations mandate there emerged an essential continuity of policy and practice, underpinned by an Australian nationalist economic agenda:

‘policy statements, legislation and known practice indicate that up to the Australian occupation ... the German administration put the emphasis quite heavily on economic expediency. Australian policy statements and legislation suggest that German practices were retained ... under the Australian military administration ... [and] that the practice during most of the Mandate period was at least as heavily weighted in the interests of profit-seekers as it had been in German times: and the protection perhaps less effectively exercised’ (Rowley 1965, 90–91).

Continuity of objectives is less important than the degree to which bureaucratic culture was maintained. Holmes noted it was necessary ‘to carry out my mission with as little damage as possible, and with as little interference with existing customs and methods of administration, and with trade and commerce ...’. He concentrated on restoring supply chains for copra and the materials and trade goods necessary to maintain economic life (cited in Rowley 1965, 5). The Australian Command ‘wrote into the Treaty of Capitulation special terms to guarantee the

greatest possible continuity in administration'. One clause stated that 'local laws and customs were to remain in force, in so far as they were not inconsistent with the military situation'. German civil officials were to act in an 'advisory' capacity while German planters continued working their holdings. Many increased their plantings, whether because of confidence in an ultimate German victory, or perhaps the belief (mistaken, as it turned out) that any peace settlement would protect their interests. As a result 'the military regime swung into action under the tutelage of those German officials who chose to remain', while 'clearing and planting activities were again resumed'. The administration gave priority to maintaining the economic value of its new territory (Reed 1943, 157–58).

When the Australian military administration yielded to civil control in 1921, 'the Commonwealth was more interested in seizing control of German assets than in the type of administration to be set up'. In fact, 'there was no real break between occupation and mandate administrations' (*ibid.*, 33). Reed observed that, 'in the sphere of native administration, the period from 1914 to 1921 saw few new European innovations or adjustments', as the Australians 'exerted their strength to preserve the social order built up by the Germans' (*ibid.*, 160). Although a recognisably Germanic bureaucratic culture was maintained, Dernburg's 'national-economic purpose' was succeeded by an Australian design for expropriation. Australia's own 'national purpose' became explicit when German mercantile assets fell cheaply into Australian corporate hands. Settlement of Australian ex-servicemen on German plantations achieved a politically popular distribution of spoils, while assuring the Australian character of New Guinea as a buffer against future military threats to the mainland. Meanwhile a Germanic bureaucratic culture, in reaction to which informality had emerged, continued to hold sway.

The experience of stagnation

At the time of the Australian invasion Tolai were experiencing Salisbury's second 'stage', with the emergence of service and off-farm economic activities. These are interpreted here as rural informality, conducted as secondary trade. Much later, in the early 1960s, Salisbury described them as undergoing a fourth stage of their 'service-driven' economy. To achieve continuing progress in the face of a burgeoning population they would need further technological innovation and political consolidation (Salisbury 1971). A less benign set of possibilities also existed. These could lead to economic stagnation due to some combination of population growth, natural disaster, political regression or failure to identify and exploit new technologies. Such reverses might lead to rural distress, impelling rural-urban migration and the emergence of an 'involution of services' in Rabaul. Precedent for so dismal a scenario could be found in a period of stagnation experienced by the Tolai between 1921 and 1935 (Salisbury 1970).

Before the Australian takeover Rabaul had been central to German operations in the Pacific. Close to major shipping routes, it was a strategic base for the Imperial Navy's East Asia Squadron. Norddeutscher Lloyd was subsidised by the Reich to maintain inter-island and international services around Rabaul as a hub and most of the trade of the region passed through its harbour. With the Australian invasion these arrangements ceased. Rabaul was reduced to the status of 'a terminal port with an inter-island connection' (AL Epstein 1969, 26) imposing additional costs on traders and producers. Although the war period saw generally rising copra volumes and prices it was unfortunate for Tolai producers that these events occurred in a regulatory environment tilting towards the interests of European copra traders. Cost pressures increased again after 1920, when protectionist provisions of the Australian *Navigation Act* were applied to New Guinea. This coincided with a copra price slump, and disrupted production on

German plantations undergoing expropriation. The legislative changes were repealed in 1925 but in the interim Australian carriers had become entrenched, while regulation of copra buying and trade store operations to favour European interests intensified. By 1922 the coastal village of Vunamami, with prices for its copra and consumer goods regulated and independent (Chinese) copra buyers excluded, 'had become a captive labour force for the plantation' (Salisbury 1970, 124). Whether or not employed by planters, Tolai were increasingly bound to them. These circumstances, general throughout the Gazelle, ushered in a period of stasis during which 'increasingly direct administration from Australia and a lack of technological innovation brought Tolai society into an incipient phase of involution. Both technological and political change was needed to reverse the process' (Salisbury 1971, 65, n3).

Stasis was prolonged by the Great Depression and Tolai were not the only parties affected. Many independent European planters were bankrupted and their plantations fell into corporate hands, while much Chinese commercial activity stalled due to the combination of discriminatory regulation and conglomerate market power. During this period formal copra production increased as wartime and early post-war plantings came to maturity, causing demand for labour to rise. Smallholder production diminished in relative terms, making Tolai interests of even less political consequence. Signs of positive change appeared from 1937 with recovery in prices and the formation by government of a few 'non-statutory village councils' near Rabaul (Fenbury 1978). The Pacific War put an end to this experiment and formal local government had to wait until the 1950s. Tolai political energies had begun to revive at an unofficial level, however, with the emergence of *kiwung* (young men's organisations) from the mid-1930s. These would contribute to Tolai political ferment in the post-war period.

More positively, the interwar period was marked by greater Tolai engagement in non-agricultural formal employment.

Described by Epstein as a ‘pattern of relations which the Tolai had been developing with the wider society since early contact’ this was managed even as the Tolai maintained a secure subsistence base. Tolai were prepared to accept semi-skilled jobs and some travelled outside the district for employment. In Rabaul, men from Matupit showed ‘a clear preference for “free” casual employment as domestic servants, boat-boys and laundrymen’. Epstein paraphrased a somewhat rueful discussion of Tolai workers in the *Rabaul Times* in 1936, a time of rising copra prices and labour shortage: ‘loss of or dismissal from employment held no terrors for the Tolai because every one was a landed proprietor’. Tolai used Rabaul ‘as a source of employment for augmenting their cash income from time to time ... but they were not integrated into an urban system. Continuing to live in their own hamlets and settlements, and growing increasingly prosperous from the produce of the soil, they were able to retain a considerable measure of their economic and social independence’ (AL Epstein 1969, 29–30).

If not actually ‘integrated into an urban system’, the Tolai were certainly developing an active set of rural-urban economic relationships, in which the Rabaul town market and nearby Chinese shops played an important role. Such relationships would come to define the character of their informal economy after the Pacific War. Meanwhile, change in the late pre-war period was signalled by Tolai shaking off the unofficial but pervasive culture of discouragement engendered by Australian rule—the feeling ‘that business enterprises by New Guineans were forbidden’ (Salisbury 1970, 243). This positive phase of development, corresponding to Salisbury’s third ‘stage’, was abruptly interrupted in January 1942. Japanese invasion converted the Gazelle into a vast military base, the Australian population and administration having essentially abandoned the Tolai. Military occupation caused the people, Chinese as well as Tolai, much suffering and loss of life. Allied bombing inflicted enormous damage on the town, infrastructure

and plantations while Tolai coconut plantings and food gardens were severely affected. As Allied forces struck back, their 'island-hopping' military strategy isolated Rabaul for more than two years until the Japanese surrendered in August 1945.

CHAPTER 9

Chinese in New Guinea before the Pacific War

GERMAN NATIONAL CAPITALISM institutionalised a bureaucratic framework in GNG and ordained a racial division of labour in which indigenous people and Chinese immigrants were to play specific, subordinate roles. After accepting Tolai could not be compelled to labour, the Germans tolerated their working as independent smallholders supplying copra to European trading houses. Chinese traders had been active on the margins of Melanesia for centuries (Ch. 4), and the *Kompagnie* recruited labourers and artisans for the Bismarck Archipelago from Hong Kong. At least one independent Chinese, the legendary entrepreneur Ah Tam, had by the turn of the century established a shipyard in the Bismarcks at Matupit on the outskirts of modern-day Rabaul (Cahill 2012, 21). This account of the Chinese will be divided between two chapters, mirroring the narrative of Tolai economic activity in the periods before, and after, the Pacific War. It will emerge that the Chinese presence was an element contributing to the Gazelle as a 'lucky place'.

The roles allotted Chinese in the colonial design were as formally contracted wage-workers, labourers and skilled artisans.

But among Chinese who remained after completing initial contracts most aspired to free employment, and then to independent informal commercial or artisan activity. This was a form of pushback, the voluntary *de-formalisation* of Chinese livelihoods in reaction to the limited appeal of formal jobs. Such men were embraced in a Chinese informal economy, operating in parallel with the formal colonial economy, in which after acquiring capital they became self-employed. Some hoped to progress, as Ah Tam had done, to larger-scale operations. But this would necessarily incur more regulatory scrutiny and require increasing degrees of formalisation.

By 1907 there were no longer any Chinese under indenture (Cahill 2012, 45) and official policy had turned from further recruitment towards acceptance of free immigration. Bowing again to the inevitable, Europeans sought to link ‘free’ Chinese into copra supply chains, as agents sent among the Tolai to gather coconuts and processed copra in exchange for trade goods. By the end of the German era in 1914 fewer than one in seven Chinese was a labourer (*ibid.*, 24) and a small number of Chinese firms were large enough to attract substantial regulatory attention, although as these were typically multi-activity enterprises they almost certainly retained informal elements ‘under the radar’. In the broader Chinese business community mixed modes of operation, involving varying degrees of conformity with colonial bureaucratic requirements, were normal. Peter Biskup gave an account of the early stages of an individual’s career progression. This showed a classic Monsoon Asian mode of ‘hustling’, with Chinese typically pursuing multiple activities to get ahead. While they worked initially for wages:

‘it was trade which was the Chinaman’s forte. A typical immigrant would start as a wharf labourer, save a few marks, become an “under-trader” for one of the European firms or an established Chinaman, save more money and finally establish himself as an independent copra trader in a village or as a general trader in Rabaul ... Chinese traders, whether

independent or not, usually combined commerce with other enterprises—recruitment of labour, building, a small copra plantation, a vegetable garden, a tea-house or a hostelry’ (Biskup 1970, 99–100).

Reminiscent of Bauer’s account of West Africa, Biskup described a pattern of Chinese commercial activity escaping the attention of GNG census-takers. Bauer and Yamey (1957, 34) had shown a reality of entrepreneurial livelihoods ‘masked by the unreliability of census data’. Enumeration errors occurred because such activities displayed ‘imperfect specialisation of labour’ and ‘occupational fluidity’, enabling people to work in a manner ‘better described as the performance of a number of different tasks than as the pursuit of a definite occupation’ (Ch. 3). Chinese immigrants were acculturated to trade and a semi-industrial environment, were thrifty, could turn their hands to a variety of tasks and were given to ‘moonlighting’ away from formal employment.

Chinese influence on the Tolai was potent and, for two reasons, subversive of the Dernburgian ideology. Bureaucrats found it difficult to confine men such as Ah Tam to dependent and subordinate roles; and Chinese often colluded with Tolai to frustrate German (later Australian) efforts to regulate economic activity to their own advantage. The model of economic activity demonstrated by Chinese traders encouraged native people to accommodate themselves to ‘the market’ in a manner unorthodox in Dernburgian terms. This was both hybrid (in the sense of retaining important elements of traditional behaviour) and informal (in the sense of failing to conform with bureaucratic prescriptions).

The business of cultural frontiers

Reviewing the experience of the Chinese in western (now Indonesian) New Guinea, Rowley (1965, 56) spoke of their ‘special

adeptness in the business of cultural frontiers'. Later, in GNG, they displayed that particular 'capacity for subordinating cultural prejudices to business' which, coupled with 'a greater indifference to the demands of European law', distinguished them from more bureaucratically-observant Europeans (Rowley 1958b, 79). Such attributes were useful in early colonial New Guinea, where the capacity to survive on slim pickings enabled Chinese traders to perform as 'cultural pioneers', preparing the way for formal European enterprise by 'slowly acquainting the natives with the way of life of the foreign immigrants, and by accustoming them with trade and new needs' (Sapper 1910, 107; cited in Biskup 1970, 106). Towards the end of his tenure Governor Hahl encouraged free immigration of Chinese with such considerations in mind. Biskup commented that this 'fitted admirably with Hahl's policy of drawing the natives more closely into the commercial economy, on European terms' (*ibid.*).

Chinese entrepreneurs were not usually minded to yield gracefully to Europeans the territories they had pioneered. Commercial contestation of such opportunities, and the different Chinese and European approaches to exploiting them, resulted in much friction. European traders often appealed to bureaucratic authority and systematic efforts were made to weight the regulatory scales in favour of formal (that is, mostly European) investors. Chinese were convenient scapegoats for abuses against native people, even as they were trusted to provide certain services disapproved by respectable society. Yet in retrospect, Hahl concluded that:

'the Chinese had proved their worth in the better jobs as artisans, cooks, overseers, ships' engineers and traders, and had become quite indispensable ... It seemed to me essential to keep them in the country as permanent residents in order to make immigration attractive to others. The great developments in mining and agriculture in Indo-China are based on Chinese and Indian migration' (Hahl 1980, 144–145).

Ruefully, Hahl recalled his immigration proposals were ‘in most cases disapproved’, opposed by the European community and rejected by a new Secretary for Colonies in Berlin (Biskup 1970, 99). In a much-quoted trope he observed that ‘no-one wished to or was able to do without the Chinese, but no-one wanted to have them in the country’ (Hahl 1980, 145). In an equally rueful comment, Lieutenant-Governor Murray complained Australian Papua was disadvantaged by the application there of Australia’s more rigorous immigration restrictions. Murray was especially troubled by the shortage and high cost of skilled artisans in Papua, noting that GNG pay rates for Asian artisans were half those of Europeans (Rowley 1958b, 73). Rowley concluded that ‘without the Chinese [GNG] might have looked very much more like Papua to European investors’ (ibid., 76).

Much of the history of Chinese Rabaul may be understood through the character of Ah Tam. Other than at the outset he was a formal businessman, since the later scale of his operations made regulatory scrutiny unavoidable. Nonetheless much of his income was gained informally, by means such as using *tambu* for trade with Tolai after the practice became illegal (Salisbury 1970, 286). His influence is particularly important in the German period, during which Chinese stamped out a template of informal economic activity for Tolai. Ah Tam married a Matupi woman, on whose land he constructed his enterprises, including a trade store and a hotel. Hahl gave Tam permission to import Japanese prostitutes, as a ‘public health measure’ (Davies 2002, 68). His shipyard was ‘building so many boats that there had been a reduction in imports’, causing him to bring in Chinese artisans, as well as recruiting for European employers (Rowley 1958b, 74). Other Chinese patrons were also sponsoring migrants and Biskup (1970, 94) suggested that immigration controls and official supervision of employment conditions in Rabaul avoided exploitation—common elsewhere—of migrants by compatriots. This suggests Rabaul was a place of

opportunity where Chinese immigrants could more readily 'buy their independence' (Cahill 2012, 22). Again, in the late colonial period Christine Inglis was struck by the limited influence there of 'particularist' tendencies common in other Chinese immigrant communities (Inglis 1977). Early-period regulation may have contributed to this failure of clientelism to become entrenched in Chinese Rabaul, encouraging their dynamism.

Whether or not Ah Tam had rivals, Hahl 'appears to have recognised Ah Tam as the business leader and patron of the Chinese community'. In 1907 Hahl granted him a substantial land lease in Rabaul (later known as Chinatown) in consideration of his agreeing to import carpenters, cooks, coolies and Chinese women, 'to stabilise the Chinese community'. They were to reside on Ah Tam's lease and their businesses would be confined to it (Rowley 1958b, 75). Aside from this Ah Tam gained other franchises. By 1914 he had the sole licence to import opium and seems also to have collected levies on gambling in Chinatown (*ibid.*), while between 20 and 30 Japanese prostitutes were working there (Davies 2002, 68). Hahl's toleration of illegal activities and his decision to quarantine them in Rabaul's small and (to European eyes) squalid Chinatown was simple pragmatism, with notions of legitimacy or legality honoured in the breach. It would give an unbalanced impression, however, to ignore the many legitimate, albeit still informal, business activities conducted there. Just as in Hart's Nima (Ch. 2), Chinatown was a substantial supplier of legitimate goods and services to 'respectable' households. Even so, visitors from the European town viewed it with a mixture of curiosity and prurience, for it was 'vice' which made this 'little East-Asiatic village' most alluring (Lyng n.d., 125–127).

Rabaul market (the *Bung*) was adjacent to Chinatown, reproducing a symbiosis found in towns throughout the Pacific. Chinatown and the marketplace were the urban focus of a system of rural-urban relations which Chinese and the Tolai constructed. Chinatown was the locus of *urban* informal economic activity, while

the *Bung* was the primary outlet for produce marketed by a growing Tolai *rural* informal economy. Chinese were patrons of the *Bung* while rural Tolai vendors, acting as what Scarlett Epstein (1982) called ‘producer-sellers’, spent much of their earnings in Chinese stores. Chinese and Europeans encouraged Tolai to grow a range of exotic vegetables and both communities purchased these in the market, while many Tolai and other town-based New Guineans bought staple foods there. The *Bung* was also a point of intersection and exchange between the two rival currencies, German silver (the mark) and Tolai shell (*tambu*).

Bureaucracy, regulation and discrimination: tightening the fetters

An account of bureaucratic regulation of the Chinese must include many instances of authorities ‘weighting the scales’ to favour metropolitan capital against informal operators (Ch. 2). In the early part of the twentieth century the formal/informal categories corresponded closely to European and Chinese, respectively. This simple duality would break down as many Chinese entities grew in scale, and their operations became more formal (although elements of informality continued to characterise even the largest Chinese entities). Nonetheless it was true that, under both German and Australian administrators, the primary goal of much regulatory effort was to contain burgeoning Chinese economic activity. Intended to advantage European commercial interests, such regulation was anti-competitive and the subject of lobbying by vested interests. Tolai were affected by these processes insofar as constraints on Chinese informal business often disadvantaged them; Tolai often colluded with Chinese to avoid such irksome bureaucratic constraints.

Regulatory measures impacting the Chinese were directed to numerous areas of commercial life, including the copra trade,

retailing, land tenure, business practices (including bribery), licensing, taxation, and their residential/legal status. Such initiatives sometimes served as a pretext to exclude them from trading with Tolai. Some early cases concerned activities of copra traders, many of them Chinese, who purchased dry coconuts or 'cured' copra from Tolai. The terms of trade so favoured Tolai at the turn of the twentieth century that they were able to insist on payment in *tambu* (Ch. 8), to which Chinese traders often enjoyed preferred access. In response, the administration imposed an ordinance in 1901 forbidding the use of *tambu* in commercial trading. It was not wholly successful; *tambu* continued to change hands in covert, that is, *informal*, trade conducted mainly with Chinese.

A related source of friction soon after 1900 concerned the processing of copra. Cahill (2012, 44) recounted how 'strong competition encouraged sharp business practices and complaints grew about the poor quality of hurriedly-dried "trade" [i.e., informal] copra'. Chinese were often willing to buy poorly cured copra and 're-cure' it for resale. This gave them the edge in trading with Tolai. Such complaints may have been an attempt by trading companies to channel all purchases of copra through their stores, by having quality standards embodied in regulation. If so, this failed. The Chinese were able to find other buyers. An ordinance in 1903 imposed a licensing requirement for traders in copra and other natural resource products. This forced unlicensed Chinese traders further out into 'uncontrolled' and dangerous territory. Cahill commented that government did not or could not enforce the regulation and was indifferent to the resulting loss of Chinese lives (ibid.). Meanwhile the issue of processing standards continued to simmer. European commercial interests lobbied in 1906 for the Chinese to be required to have contracts with registered European firms (ostensibly for purposes of quality control but actually to tie Chinese hands in negotiations). These pleadings failed. Cahill commented that the trade was so profitable that 'by 1907 ... most

Chinese were in some way connected with the copra trade' (ibid., 44–45).

Other Chinese trading practices incurred disapproval. Cahill recorded they 'were always willing to advance credit against future copra production and many Tolai villagers became involved in some sort of credit arrangement', whereas the trading companies and European independents did not advance credit (ibid.). An ordinance of 1909, described by Cahill as directed against the Chinese, attempted to regulate such lending. It was a futile exercise because such arrangements suited both sides and continued beyond the ken of authorities. Another ordinance in 1910 prohibited supplying alcohol to natives as an inducement to supply copra (a charge often levelled against the Chinese). This also failed because of enforcement difficulties outside town limits. In Rabaul itself, European traders fretted over Chinese competition. They 'complained that Chinese stores remained open long after the Europeans had closed theirs' and that Chinese paid too much for copra (Biskup 1970, 99). Eventually, under the Australian occupation, a regulation (*Closing of Stores Order* 1917) was imposed to limit trading hours. But by then the Chinese had already 'monopolised trade store operations in and around Rabaul' (Cahill 2012, 81).

By 1917 the Australian Administrator, Pethebridge, had decided to curb Chinese business, with the intention to 'fatten' German firms ahead of their expropriation. This strategy was challenged by the growth of Chinese business, although the danger lay more in trend than magnitude (Rowley 1958b, 82–83). It may be seen as the assertion of an Australian 'national-economic purpose', weighted 'in the interests of profit-seekers'. The 'profit-seekers' were Australian ex-servicemen taking up expropriated plantations and, later, Australian corporates whose grip on the mandate economy tightened as private planters went to the wall. In the meantime, in 1917, Pethebridge issued an *Order on Trading in Coconuts and Copra in the Gazelle Peninsula* whose effect was to protect German firms

from the competition of small traders. Rowley concluded that ‘the traders who were going into the territories of established businesses, or paying more in trade goods for copra ... were almost certainly Chinese who were being supplied with trade goods by Chinese firms which had their own Chinese connections’. This Order was said to have been ineffective because Chinese informal modes of trading were more congenial to Tolai producers (Cahill 2012, 88). Another measure, the *Control of Chinese Trade Order* 1917, was designed to block more wealthy Chinese, such as Ah Tam, breaking into wholesale trade. This was quickly withdrawn because of protests from other Australian commercial interests (Rowley 1958b, 82–83).

The year 1920 was an active time of fetter-tightening. A *Non-Indigenous Persons (Amendment) Ordinance* prevented new Chinese immigrants establishing themselves in the copra trade; a *Sale and Disposition of Copra Ordinance* allowed sales to take place only in designated places; a *Trading Stations Leases Ordinance* created local monopolies for planters in trade goods and copra-buying. Finally, in an echo of the earlier ‘currency war’ (Ch. 8), a *Currency and Coinage Ordinance* assured only natives could use German currency (which both Tolai and Chinese had been hoarding). This measure reduced trading options open to the Chinese. This must have induced ingenious and surreptitious (or informal) modes of dealing, for it failed to break Chinese dominance of direct copra trade with Tolai.

Authorities turned their attention to increasing the colony’s tax yield and gave particular priority to raising revenue from Chinese. In 1905 Hahl increased import taxes and imposed export taxes on copra and other natural resource products handled by them. Such imposts, calculated at the wharf, are efficient in that transactions are simpler to trace. Hahl also attempted to replace the income tax (especially problematic when dealing with enterprises lacking formal accounting systems) with a graduated tax calculated on business turnover and other more observable criteria (Cahill 2012, 49). A business register was established to assist authorities in assessing

tax liability but the difficulty of extracting accurate information from Chinese entrepreneurs continued to vex officials. Cahill noted that from 1916 the Australians found it necessary to place greater reliance on more easily collected indirect taxes (*ibid.*, 50). These were ‘applied specially to growing Chinese businesses’ (Rowley 1958b, 68). From taxation it is only ever a short step to bribery and Pethebridge ‘found it necessary to take special precautions against bribery of his officials, particularly by members of the Asian community’. A 1915 ordinance gave ‘Chinese, Malays and other coloured races except the indigenous natives of the colony’ a higher civil status and a new, separate jurisdiction. Rowley thought ‘the real purpose of this was to bring them within the jurisdiction of the Central Court ... apparently to deal with bribery cases’ (*ibid.*, 25). The problem was not easily solved; as late as 1920 the Government Gazette warned of penalties applicable to ‘the practice prevalent among Chinese of attempting to give bribes to officials in return for services’ (*ibid.*).

On the other hand, improved Chinese legal status may have contributed to a gradual formalisation of their business, in that it also gave them the capacity to enforce contracts with Europeans in the Central Court. Notwithstanding this, ‘the basic insecurity of [Chinese] business remained [since] European status before the law was no guarantee of future citizenship’ (*ibid.*, 83). Other civil disabilities remained in force. Chinese could not purchase land, for they were effectively blocked by ‘*Principles of the Transfer of Land*’ circulated in 1912 and 1914. Although not discriminatory *per se*, these were administered in discriminatory fashion (Cahill 2012, 51). Some Chinese had relatively short-term leasehold rights to plantations on government land but freehold title or long-term leasehold was more acceptable as collateral for formal bank credit. After the Great War, Lyng (n.d., 69) observed that certain Chinese traders had ‘since the establishment in Rabaul of a branch of the Commonwealth Bank ... commenced to emancipate themselves

from the controlling influence of the European firms'. Whatever about the reliability of this information, it is possible that more secure access to land would have improved Chinese 'bankability'. Instead discrimination in access to land served to increase Chinese disadvantage *vis-à-vis* formal European business. They had been barred from tendering for expropriated German plantations after the war and in 1933 the *Companies Ordinance* required British subjects to form a majority on Boards, though the appointment of 'dummy' directors enabled some larger Chinese entities to continue trading (Cahill 1996, 82).

The rise of 'legitimate' Chinese business and the persistence of informality

Despite a history of discriminatory regulation and partisan administration, successive GNG Annual Reports suggest the growth of Chinese business. Data reported by Biskup (1970, 100) reflect increases in activity but also suggest improved bureaucratic coverage, made necessary by imposition of the business tax. Considering the simplest indicator—a head count of enterprises—in 1908 there were 48 entities in GNG, only four of them Chinese. By 1911, when the Chinese population for the first time outnumbered Europeans (Rowley 1958b, 76), 36 of 81 concerns enumerated were Chinese. Among 334 entities in GNG which paid business tax in 1912, no fewer than 207 were Chinese and, suggesting the economic importance of the Gazelle, 120 of these were in Rabaul and 15 in Herbertshöhe (modern Kokopo). The raw numbers are misleading to the extent they do not distinguish German conglomerates with trading, planting and shipping interests from the typically smaller Chinese enterprises. The data must have lumped together entities ranging from those highly formal in terms of management, accounting and technology, with others quite rudimentary and informal in character, enumerated simply because they failed to

escape official attention. We might expect many firms at that end of the spectrum to be Chinese, although there were difficulties in assessing them. As an official quoted by Biskup (1970, 101) lamented in 1913, ‘the Chinese make palpably untrue statements [in their tax returns] which makes it virtually impossible to control their businesses’. No doubt language difficulties, and a paucity of records—characteristic of informal business—also contributed to this situation. Some Chinese paid substantial tax bills while others were doing better than the group suffering most keenly from Chinese competition, the small, independent white planter-traders.

Biskup concluded ‘there is little doubt that the gap between the large European firms and the large Chinese establishments was gradually narrowing’ (ibid.). Cahill was more expansive, declaring that by 1914, ‘there was a very real danger they would dominate the entire commercial sector’ (Cahill 2012, 51). This is surely an overstatement. On the factual evidence, economic ‘dominance’ was a distant prospect, notwithstanding the Chinese had an important role in Hahl’s plans for German New Guinea, which the abrupt end of German rule in 1914 brought to nought. In the face of fiscal pressure from Berlin he had concluded that ‘the entrepreneurship of the Chinese would make German New Guinea self-supporting’ (Ohff 2008, 198). Ohff asserted that Hahl ‘almost succeeded in persuading the government to give the Chinese equal status as the Europeans, a privilege the Japanese in German New Guinea had from the outset’. But Hahl did not succeed, and we cannot know whether he would ever have overcome local European opposition and Berlin’s reservations.

With each successive Annual Report there was evidence of population growth and family formation among the Chinese and, by 1914, Chinatown had grown into a busy centre with over a thousand people. ‘Of 1377 Chinese in [GNG], 583 were artisans and 172 reported to be in business’ (Rowley 1958b, 76–77). But despite this suggestion of progress and the success of some families, most

Chinese business continued to be small and informal, with copra at the centre of its economy. ‘By 1914 the Chinese formed a high proportion of those who travelled in the copra trade and staffed the trading outposts. They were also successful labour recruiters, and some combined both activities ... Perhaps he was better adapted for this sort of work than the European, in conditions where law and order were comparative’ (ibid., 79). Outside Rabaul, Chinese patience and grasp of local psychology often proved decisive, for ‘competition for native custom was never-ending’ (Cahill 2012, 88). Playing a catalytic role in the villages, and with close links to Chinese enterprise in Rabaul, such traders contributed to the emergence of an integrated and largely informal rural-urban economic system on the Gazelle Peninsula.

Before the Great War, Chinese business had been ‘hamstrung’ because wholesale trade and trade financing were controlled by Europeans. Chinese ‘made up for this by specialising in such activities as building or tertiary services for which there were not enough Europeans or trained natives’ (Biskup 1970, 101). They were largely confined to interstitial gaps in the formal economy—by 1910, for example, the repair and maintenance of engines ‘were entirely in the hands of the Chinese’ (Cahill 2012, 24). Inferior legal status limited access to formal finance and, unlike overseas Chinese elsewhere, they were never able to establish their own formal financial institutions (Wu 1974). It is likely that Rabaul Chinese, as Chinese elsewhere, resorted to *hui* arrangements (a form of rotating savings and credit club) to pool financial resources. Also, to finance international transactions during the German period, leading merchants such as Ah Tam were able to enter into trust-based arrangements (‘relational contracting’) with Chinese counterparts in Hong Kong, Singapore and other German Pacific possessions. Such informal mechanisms were based on kinship or personal relationships and, although not subject to legal recourse, they generally sufficed to

cover counterparty risk. This still left them unable to contract with offshore European firms, including those based in Australia which were major suppliers to the big European trading houses in Rabaul, as well as importers of copra.

During the Australian occupation from 1914 Ah Tam was able to move into wholesaling, as did a number of other Chinese enterprises. This became possible because certain Australian firms (including the politically well-connected Burns, Philp & Co., which had hastened to establish itself in New Guinea) saw the opportunity to deal directly with leading Chinese businessmen. This secured Chinese firms direct access and trade financing in overseas markets for copra, and with major suppliers of consumer goods (Rowley 1958b, 82). The ambiguous situation of German firms (which continued to trade during the war) together with Chinese acquisition of quasi-European legal status (albeit they were still 'aliens'), enabled the latter to break into the import-export trade. As mentioned above, higher civil status meant that debts of Chinese firms could now be litigated in the Central Court. And just as the change had strengthened the hand of Chinese in making and enforcing contracts with Europeans, it also increased the comfort of corporate business in dealing with them.

At the end of a war which had been good for Chinese traders, 'they were well established in independent business', while in the post-war period, 'their tact with New Guinea customers brought an increasing hold on the copra trade with villages, and on retail business' (Rowley 1965, 193–194). Evidence of rising status came with the 1921 census showing Chinese as now more numerous than Germans and 'British' combined. It also revealed an upward shift in their occupational status: now there were some Chinese 'professionals', a larger proportion in commerce, in manufacturing and building, and some plantation lessees. 'The changed pattern of occupation reflected new opportunities' while their inability to take money back to China during the war had encouraged

re-investment locally (Rowley 1958b, 77–78). This committed many decisively to long-term residence.

After 1920 protectionist provisions of the Australian *Navigation Act* were applied to the Mandated Territory, entrenching Australian carriers in the shipping trade. Regulation of copra buying and trade store operations to favour European interests intensified, penalising Chinese and Tolai alike (Salisbury 1970, 124). Some Chinese were more fortunate. Cahill related how, although they had been prevented from tendering for expropriated German plantations, ‘what was overlooked in the scramble ... was that Chinese would be keenly interested in the trading stations attached to plantations. In many cases these were more profitable than the struggling plantation ... and allowed the operator to buy village copra as well as sell trade items to villagers and plantation labourers’ (Cahill 1996, 80). European planters who leased their trade stores to Chinese came to regret it. Caught in a price/cost squeeze during the Great Depression, many were bankrupted, their properties foreclosed by Australian conglomerates holding their debt. Cahill (2012, 120) suggested that Chinese entrepreneurs fared better because they had access to informal ‘club loans’ (a reference to the *hui*). The Depression years had also been a period of economic stasis for the Tolai (Ch. 8) but prospects for all communities improved as copra prices rose after 1935.

Evidence of formalisation in Chinese building and construction firms is reported by Cahill (2012). He noted that four Chinese companies won most government tenders for public buildings in the late 1930s, during a rebuilding boom after a volcanic eruption (Cahill 1996, 83). For the period just before the war *Pacific Islands Year Book* listed the principal Chinese trading houses and, in addition, ‘twenty-two traders on Malaguna Road in Rabaul, fifty-one in Chinatown and five merchants and two traders in Kokopo. They were mainly merchants but included a contractor, planters, laundry, baker, motor car proprietor, shoemaker, photographer, soft

drink manufacturer, restaurant owner ...'. In addition, many young Chinese educated in Rabaul (and some in Australia) worked for European firms in skilled and semi-skilled occupations. But some less-educated or older Chinese still worked as market gardeners or water- and wood-sellers, operating door to door in the town (Cahill 2012, 137–138). The spectrum of activities included incorporated construction companies, diversified wholesale traders and a vigorous retail sector (with a range of services) as well as informal agriculture and services. Outside the town, Chinese traders continued to buy copra from Tolai and to supply what Fisk would call 'incentive goods' to them.

Hahl had envisaged the Chinese performing a useful function as a 'middle layer' between Europeans and native people. Rowley believed this vision had been fulfilled, concluding that their economic success 'conformed to a fairly common pattern of the Chinese as an intermediate layer in the colonial economy' (1958b, 76). By contrast, WEH Stanner declared flatly that 'there was no "intermediate" race, such as the Indians in Fiji. The small number of Chinese in the Mandated Territory (in 1939 about 2,000) had only minor commercial importance, and almost no social or political influence' (Stanner 1953, 14). But the analogy with Fiji (where Indians came to form almost half the population) was surely misplaced. It was not a question of relative numbers, or of degrees of social or political influence, but of catalytic effect in the emergence and spread of a market economy on the Gazelle Peninsula. To underestimate Chinese economic influence is to overlook their function as sinews tying Tolai into the market economy of the Gazelle and the wider world of international markets. This status was cemented during the inter-war period. The subsequent history of the Rabaul Chinese, in which the recovery from losses suffered during the Pacific War and the persistence of informality alongside the 'modernisation' of their commercial undertakings are important themes, will be recounted in Chapter 20.

CHAPTER 10

Hubert Murray and the contending moralities

IN GERMAN NEW GUINEA (GNG) a classic plantation economy was created to serve the imperial Reich while in British New Guinea (BNG, later Australian Papua; see Figure 4, p. 61) a notably less well-funded and cohesive imperial experiment was proceeding.¹¹ The Papuan experience before the Pacific War will be described in three chapters (10, 11, 12) covering successive periods of British and Australian administration. These will consider whether the bureaucracy in Port Moresby was guided by any ideology so compelling or coherent as the ‘national-economic purpose’ of its German neighbour. Coherence was hard to achieve in a settler community subject to two ‘contending moralities’. Among the ‘Anglo-Papuan’ colonists (as some called themselves) a fault line had opened between ‘official’ and ‘non-official’ constituencies. Two moralities were ‘at war ... among a white population hardly larger

¹¹ The Protectorate, established in 1884, and the later crown possession, annexed in 1888, were both named British New Guinea. After Australian federation in 1901 arrangements were made for its transfer to Australian authority, a process completed in 1906 after which it was named the Australian Territory of Papua.

than a good crowd at an Australian country race meeting'. In this division, 'the means of livelihood determined attitude, and interests seemed utterly opposed' (Lewis 1996, 126).

Private settlers in Papua were not as influential as their counterparts in GNG, where a 'pan-German settler clique' exerted pressure on Hahl (Hempenstall 1978, 160). Greater certainty of purpose prevailed in GNG, where the 'scientific colonialism' of Dernburg (Ch. 8) assured closer alignment between official policy and white commercial interests. The contending moralities in Papua might be seen as, first, an ideology of resource exploitation, conducted by and for alien settlers and corporate interests and backed by metropolitan capital. This was pitted against another seeking 'the preservation of village life', championed in the main by senior officials and missionaries. Bureaucratic support for either ideology would amount to what Hart called the 'institutional effort to organise society along formal lines', although outcomes would differ considerably. In Australia the conflict was seen as 'between the desire of the metropolitan power to profit from its dependency and the desire to be seen by others and history to have dealt justly with the original inhabitants' (Lewis 1996, 7).

In practice, bureaucratic energies in Papua were never so focused as in GNG, and though both 'moralities' were represented to some degree in each colony they were more evenly matched in Papua. The trajectory for Papua's 'preservation' policy was set originally by the British Colonial Office. It instructed Peter Scratchley, Special Commissioner from 1884 following the declaration of the British Protectorate, 'to explain to Papuans that he was sent "to secure to them the safety of their persons, the enjoyment of their property, and particularly to protect them from being deprived of their lands by force or fraud"' (Oram 1976a, 19). 'Preservation' had antecedents in Arthur Gordon's earlier, liberal stewardship of Fiji, and it was introduced to BNG by his former Colonial Secretary, William MacGregor, between 1888 and 1898 (Joyce 1971). The

‘plantation’ morality was an expression of nineteenth-century industrial capitalism and its search for raw materials. The planter faction had its exemplar in GNG, towards which Anglo-Papuan settlers turned envious eyes. Clearing and planting had begun there in 1884, whereas planting on any comparable scale did not occur in BNG until it became the Territory of Papua, under Australian control from 1906.

The dual mandate

Conflict between these moralities underlay problems experienced by the Australian Resident, Lieutenant-Governor Hubert Murray, whose tenure in Papua in that post extended from 1907 to 1940. Changing policy emphases, when one or other tendency was more dominant, reflected pressures on him and his own evolving sense of what was possible. In 1906, before his appointment as Lieutenant-Governor, Murray had appeared before a Royal Commission on Australian policies for Papua. At that time he appeared to signal support for the planter faction. His evidence:

‘... was a statement of the principles of a “dual mandate”: a responsibility to the natives, a responsibility to the Europeans; and his criticism of present policy was that the European side of this obligation was not being fulfilled’ (Lewis 1996, 64–65).

The plantation ‘turn’ which followed the Commission’s findings led to the freer allocation of land and a boom in private investment. Plantation numbers increased from 76 in 1907 to 151 in 1910, and to 228 by 1914, although without yielding much immediate increase in production. Watching the pre-war commodity boom Papuan planters feared that ‘by not engaging in rising copra and rubber markets by 1902’, they had ‘missed the boat’ (Ohff 2008, 411). The pace of new plantings stretched the available supply of Papuan labour, testing the administration’s preservationist resolve.

Employers demanded longer terms of indenture and stronger labour sanctions while corporate planters pressed for a ‘village system’ on estates, as in Java and Ceylon (Lewis 1996, 113–116). This latter bid failed, because Murray believed it would lead to permanent alienation of Papuan workers from their home communities. Some planters called for recruitment of Asian skilled labour, sparking negative reactions from the broader European community in which ‘white Australia’ attitudes prevailed (*ibid.*, 117–118). In 1919 Murray acknowledged Papua’s disadvantage in regard to supply and cost of skilled workers, due to Australian immigration restrictions. Again in 1920 he conceded the economic cost of excluding Asians, ‘but that from motives of patriotism and self-protection we preferred to do without such labour’ (cited in Lewis 1996, 162). Consistent with my account of Chinese immigrants in GNG (Ch. 9) I argue here that the exclusion of Asian workers deprived Papua of much more than cheap labour.

Murray’s concept of a dual mandate required government to heed both ‘moralities’, even though in 1906 he had thought it necessary to redress the balance in favour of commercial interests. As economic realities bit—insufficient private investment, inadequate public financial support, difficult export markets—Murray’s views changed. Between 1913 and 1920 he recognised irreconcilable elements in the dual policy. ‘By 1920 he had come publicly to believe that European and native interests were indirectly and incidentally in continuous opposition, and that the government had a duty to the natives which the white settlers did not share’ (West 1968, 175). While Murray continued to accept the need for an economic base to assure self-reliance, the preservation morality had become more important for him. This was evident from his minority (dissenting) report to a 1919 Royal Commission on the post-war future of GNG. Murray’s view, paraphrased by his biographer, was that:

‘the Germans had administered colonies purely as commercial undertakings whereas British colonies had always subscribed,

in theory at least, to the principle of the “sacred trust” for native peoples which was now spelled out in Article 22 of the Covenant of the League of Nations. This British principle should replace the German which looked on the natives as a means to an end, and amalgamation [of the two territories] under the Papuan government would achieve this’ (West 1968, 199).

Murray had hoped to become Administrator of a new, amalgamated territory but by 1920 Papua was bulking less large in Australian calculations. GNG’s plantation economy had fallen into Australian hands without any expenditure commensurate with Germany’s original investment (Ch. 8). The government decided to continue it as a separate jurisdiction and Murray was left to soldier on in Papua (West 1968, 198). His rejection reflected an official view that Papua had limited economic prospects and might as well continue as it had begun (Lewis 1996, 158–159; West 1968, 199). Successive Australian cabinets ‘felt a concern for Papua that was “primarily strategic”’ so that being ‘prepared to take few risks they made a virtue of a policy of [native] protection’ (Lewis 1996, 292).

New Guinea was an economic asset whose value was to be maximised by Dernburgian exploitation under a virtually unchanged bureaucratic system, albeit one with an Australian accent (Ch. 8). The case for this was compelling:

‘Its plantation sector by 1920 three times the size of Papua’s, its administration before the war underwritten by much larger subsidies from the former imperial power and undertaken by a government believed to have been far less ethically fastidious than Papua’s, German New Guinea seemed to provide an opportunity for Australia to reap a bountiful harvest where it had not sown. After 1920 ... Papua would always seem the lesser territory’ (ibid., 158–159).

For the rest of its brief separate history until the outbreak of the Pacific War, Papua would suffer in popular white opinion by

comparison. It was generally thought ‘an ungenerous country, less fertile than its verdure suggested, with no advantage in its resources or in the cost and efficiency of its labour force over “competitors” elsewhere in the tropical world’ (ibid., 291). Even more damning, perhaps, was the belief its bureaucracy was insufficiently dedicated to commercial development and excessively scrupulous in its native policies. If the Rabaul hinterland was a ‘lucky place’, Papua was not.

Between the wars Murray’s authority was enhanced by his growing international reputation as an enlightened Administrator. After a phase of rabid settler opposition during the 1920s he was less challenged in imposing his views, whether by an increasingly dispirited local planter constituency or the succession of Australian Ministers whom he inducted into their responsibilities. This situation would have long-term consequences for the degree and character of indigenous Papuan engagement with ‘the market’ and for the character of Port Moresby itself. Under Murray’s increasingly personalised regime normal processes of urbanism would be inhibited in the capital. Autonomous Papuan enterprise, if not suppressed, could scarcely flower and, aside from formal indentured employment, rural Papuan economic activity would receive only fitful encouragement.

The ‘informality’ construct in colonial Papua

Market exchange and bureaucracy are necessary preconditions for informal economic activity. Weberian bureaucratic processes emerged in parallel during the nineteenth century in Germany and other industrialising states—in Britain and Australia, and then by extension in GNG and BNG. Though Murray had a reputation for impatience with routine, Lewis commented he ‘was well-served by officers who were systematic ... who maintained careful records and an effective control over expenditure. The thoroughness of the Territory’s bureaucracy is indeed impressive’.

Of Murray personally, Lewis remarked that his ‘legal drafting, letters, reports, and occasional writings all demonstrate a high degree of internal organisation and indicate a systematic mind’ (Lewis 1996, 123).

Murray and his predecessors laid sturdy bureaucratic foundations, but not for the prosecution of any orthodoxy so utilitarian as German ‘national-economic purpose’. The account by Lewis shows how remote the Lieutenant-Governor was, personally and intellectually, from the middle-class settlers who came to Papua with the pre-war boom. Murray possessed ‘a grounding in a code of ethics and behaviour profoundly in opposition to [their] *petit-bourgeois* values’, which he would have called ‘capitalist attitudes’. Despite having endorsed white settler suffrage in 1906 he grew to distrust the commercial and planting classes and for the rest of his career successfully resisted their enfranchisement. Bleakly, he came to believe that ‘any white community left with absolute power over “natives” would resort to slavery within three generations’. This he knew, for, ‘I can feel the tendency myself’ (Lewis 1996, 120–123).

If Murray disdained petty capital he also distrusted large corporations. He opposed oil drilling because of the potential influence of ‘some powerful company, financially perhaps stronger than the government, and determined if possible to capture the government’. Economic activity on such a scale would threaten a principle on which *preservation* depended: ‘that the progress of development shall bear some proportion to the labour available’ (ibid., 140–141). Later, as it seemed European plantations could not provide an adequate economic base, he would seek a different model of agricultural development. This was necessary because:

‘it was unlikely, said Murray, that Papua was capable of adapting to industrial civilisation. Papuans, nevertheless, were not merely hewers of wood and drawers of water and therefore the most suitable form of civilisation for them was based upon cultivation of the soil’ (West 1968, 185).

Many administrators of the period accepted a ‘popular pseudo-Darwinism’, a set of beliefs supporting social-evolutionary processes (Rowley 1965, 92). At a more intellectual level, Murray was familiar with Maine’s *Ancient Law* and ‘shared the current assumptions about the evolutionary nature of society’ (West 1968, 39). Through his writings there flowed ‘assumptions ... of social evolution, of progress towards civilised, meaning contemporary, Western European society’ (ibid., 214). Such ideas, incorporated into an Anglo-Papuan bureaucratic orthodoxy, were tempered by Murray’s conception of duty towards the indigenous people and his views—moderating over time—of their ordering on an evolutionary ladder.

As to the other precondition of informality—market exchange—coastal Papuans were introduced to the international economy by early visits of European mariners. These bartered industrial commodities for coconuts, pearl shell and other ‘gathered’ products. As late as 1900 most copra in international trade ‘was still derived from the trade with indigenous producers of either fresh or dried kernel carried on by beach traders and passing ships’ (Lewis 1996, 73). Such transactions in Papua, as among the Tolai, became gradually monetised. But by vivid contrast with the Tolai, Papuan village cash crop production owed more to official compulsion than market incentives. ‘Murray “had no confidence in any system of native administration which does not ultimately rest upon compulsion”’ (cited in West 1968, 186). Policy for native agriculture under both MacGregor and Murray rested on dirigism. Although bureaucratic regulation was apparently more stringent in German (and later Australian) New Guinea, that was largely because there was more activity to regulate. To promote white settler interests officials in New Guinea strove to contain emerging Tolai and Chinese informal activity within a thicket of regulations. In a telling contrast, their counterparts in Papua felt the need to regulate indigenous economic activity *into existence*.

If the initial Papuan impulse to market exchange resulted from contact with alien traders, many more Papuans were brought into the market economy by labour recruiters. From the earliest engagement of labour mandated by MacGregor's *Native Labour Ordinance* in 1892, until the end of Murray's tenure in 1940, the principal mode of indigenous involvement with 'the market' was by formal contract of indenture for work in plantations and mines. This was profoundly different from any informal, autonomous, participation in market activity. Official efforts to encourage independent Papuan market participation were sporadic; bureaucratic energies were less directed towards that end than to maintaining native welfare under the rubric of 'preservation'. In practice, most effort was given to the 'pacification' of new populations, to governance of the pacified and to the regulation and inspection of indentured labour.

Regulation aimed at minimising negative consequences of the absence of able-bodied men from villages. As Murray said, 'it is no part of our policy to convert them from what they are now, peasant proprietors, into a landless proletariat which they might in time become if they signed and worked for indefinite terms without returning to their village' (cited in West 1968, 132). The term 'peasant proprietor' (used also by early German administrators in regard to the Tolai; Ch. 8) seems to suggest an unspoken Smithian assumption, implying a Papuan inclination to truck and barter if only inertia could be overcome.

On the other hand, as in GNG, Papuan administrators were aware of the implications of any growth of indigenous commercial agriculture for the supply of indentured labour, and they accepted that village welfare was competitive with maintaining the formal plantation workforce. Statements of both 'Anglo' and German administrators suggested a need to avoid over-recruitment, though in practice they differed in the emphasis given to welfare (generally more in Papua) and to 'veterinarian' concerns, in which principles applicable to the management of game parks were applied to

village populations (Rowley 1965, 94). The contradiction inherent in drawing on villages to man plantations, while attempting to maintain their demographic and social viability, laid the indenture system—reliant on recruitment of unaccompanied male labour—open to the charge it was designed to subsidise plantation wage costs. Cyril Belshaw was perhaps the first observer to point out that ‘by far the greater part of the indentured labour sector ... is subsidised ... by the domestic village production of the labourers’ dependents, and male kinsfolk who remain at home’ (Belshaw 1957, 244). Charles Rowley would later build on this observation to illustrate the ‘obsolescence’ of the plantation economy in both its rural and urban forms and to argue the case for wage reform (Ch. 12) while in the 1970s followers of contemporary French Marxism would interpret Belshaw’s ‘subsidy’ in ‘structuralist’ terms. For them, the system was intended to preserve a ‘traditional mode of production’, thereby sustaining the exploitation of rural labour (Ch. 26).

Regulating economic activity into existence: the ‘Murray policy’

Dirigism in Papuan policy was intensified by fears of native depopulation. MacGregor’s biographer noted his inclination, following Gordon in Fiji, to encourage indigenous commercial agriculture: ‘We must teach these natives to build boats and fish and trade on their own account.’ He began a demonstration plantation, followed in 1894 by a regulation requiring certain groups to plant coconuts, for ‘if the natives do not become producers on their own account ... they cannot exist long as a race ...’ (cited in Joyce 1971, 197). The regulation did not specify whether plantings were to be by individuals or groups, but villages and clans were responsible for most production, with little voluntary planting (Crocombe 1964). Near the end of his term, faced with failure to build an economic base, MacGregor felt compelled to facilitate commercial

planting by opening up land for white settlers. He ‘had become more conscious of the failure of his plans to make the Papuans independent producers’, and wrote despondently that ‘natives are not likely alone to ever add much to the exports of the colony’ (Joyce 1971, 205).

Soon after the Great War worldwide expansion of output in territories with lower cost structures than Papua brought the commodities boom to an end. Murray no longer felt able to juggle the competing demands of his dual mandate and began instead to renew attention to welfare. Lying ‘at the root of what came to be called “the Murray policy”’ (West 1968, 143), this would involve ‘peaceful penetration to establish with a minimum of bloodshed law and order throughout Papua—paramountcy of Papuan interests over European in land, labour and development policies’ (West 2006, 113). Perhaps Murray thought it possible to dispel Papuan inertia by education and regulation, in an effort to speed the social-evolutionary process. In ‘a new direction in development’, he instituted measures in 1919 to stimulate village cash cropping. He was ‘disappointed at the progress of settler-based agriculture and affected by planter hostility, but certainly becoming aware of the limited value of plantation work experience for the Papuans’ (Lewis 1996, 149). In any case, after the war, ‘a shortage of labour, low produce prices and high shipping costs made it very difficult to attract European settlers ... and indigenous agriculture was seen as the only hope’ (Crocombe 1964, 4).

Murray’s new measures proved even more dirigist than those which had failed under MacGregor. A *Native Taxes Ordinance* in 1919 imposed a head tax on males to be paid in cash, or remitted by delivering cash crops to government or by working on ‘native plantations’. The tax was not intended to force men onto European plantations because it was also levied on indentured workers. Native plantations were to be established on land alienated by government from the villagers concerned. This initiative had no

equivalent across the border; in GNG ‘the native, and not the value of European enterprises nor the pockets of the Australian taxpayers, was the object of the policy on native taxation’ (Rowley 1958b, 180). A ‘Native Education Fund’ was created in Papua to receive the proceeds, together with half the earnings of the new collective plantations (the other half to be paid to villagers fulfilling work obligations). Most plantings were of coconuts although some coffee and rice were trialled.

In Murray’s ordinance (as also in MacGregor’s regulation) there was no requirement for either individual or group production, but it appears again that most plantings were collective. Ron Crocombe suggested many officials believed group operations more congenial for Papuans and officials certainly found it easier to inspect group plantations rather than dispersed, individual blocks. In a remark inconsistent with his description of Papuan subsistence agriculturalists as ‘peasant proprietors’, Murray ‘thought that a native plantation on communally owned land worked by the communal labour of the village was an adaptation of native customary life to the idea of economic development’. Further, ‘native taxation was one major element of that compulsion which [he] believed must lie behind all native administration’ (West 1968, 232). Murray’s ‘new direction’ led to collective production, under a system in which incentives were small and only indirectly linked to effort. Compulsion was always needed to ensure planting, it proved even more difficult to secure harvesting, and there was no guarantee copra would be marketed through approved channels (or even marketed at all). As a result, the record of production and payments to villagers was disappointing (Lewis 1996, 150). Attitudes engendered by memories of village plantations exerted long-lasting effects on Papuans’ willingness to engage as independent producers. So strongly did cash crop plantings become identified with group enterprise in the Northern Division (later part of the modern Northern or Oro Province; see Figure 4, p. 61) that when,

after the Pacific War, agricultural officers began to encourage people to plant individually, some Orokaiva ‘claimed that they had not realised ... that cash crops could be grown by individuals’ (Crocombe 1964, 30).

The role of traders

Despite the prevalence of a dependent psychology among many Papuans, some autonomous production of cash crops did occur during the interwar period. More spontaneous mechanisms—consistent with ‘peasant proprietorship’—seem to have been at work in dealings between some village producers and small European planter-traders who supplemented their incomes by buying native copra. Though MacGregor’s attempt to stimulate indigenous production met with little success, traders had bartered for coconuts along the Papuan coast from before the Protectorate. However, village producers with a secure base in subsistence agriculture demonstrated an elastic supply response to price fluctuations, often preferring to leave nuts ungathered when they deemed returns too low. Further, since coastal village populations were small and dispersed, Europeans had little incentive to set up specialised trading, processing and distribution enterprises. Samarai, a small island off southeast Papua, was an exception since it enjoyed sufficient locational advantage to become a hub for traders and planters. But unlike the Gazelle, Papua was difficult territory for traders.

After 1906 Murray had felt it necessary to show greater concern for European planters, even if it entailed de-emphasising indigenous production. In a revealing comment in the Annual Report for 1905–06, Murray asserted that ‘not only was staff inadequate to enforce the 1894 regulation, but that where it was enforced the resultant income *attracted traders* whom he felt to be *a bad influence* on the Papuan people’ (paraphrased by Crocombe, *ibid.*, 3, emphases

added). This suggests Murray's failure to appreciate the potential of traders to stimulate economic activity (and, perhaps, his awareness that such activity was competitive with indentured employment). The traders he disapproved were Europeans 'who aspired to become planters'. There were 'many smaller planters who subsisted through the years of [plantation] development on trade' (Lewis 1996, 25). These operated like the Chinese traders of New Guinea, buying copra from Papuans as a sideline and supplying them with cheap consumer goods.

Such 'small men' traders became less representative of the industry after 1907 with the coming of plantation companies. But most 'never became planters independent of trading. Planting carried prestige but trade was to provide a surer living whether the enterprise was large or small throughout the history of colonial Papua' (ibid., 97). Among such men, struggling to survive after the War, many turned again to trading in 'native' copra to eke out meagre returns from their own plantings. Even during the 1930s, when many small company plantations were acquired by conglomerates, most of these independent operators survived, continuing to provide distributional services to village producers (ibid., 213). They proved more durable than the 'small men' of New Guinea, driven to the wall by debt and Chinese competition (Ch. 8).

This contrast points to the absence from Papua of any intermediate class of 'Asiatic' traders and raises the question of how effective white traders proved as an alternative. Papua is represented here as an 'unlucky' place, but natural resource endowment is not destiny for, as Bauer asserted, 'improvements in transport and the activities of traders have frequently in effect altered the facts of geography' (Bauer and Yamey 1957, 44). Bauer emphasised 'the indispensable role of traders, especially in the development of cash crops' and the contribution of minority groups to trade. From the late nineteenth century in West Africa and Malaya

‘traders provided and extended markets and thereby widened the opportunities open to people as producers and consumers’. Indeed, ‘without trading activities there could be no agricultural surplus’, while traders ‘acquainted people with the workings of an exchange economy and the attitudes appropriate to it’. By doing so, they ‘promoted the *uncoerced* erosion of attitudes and customs incompatible with material progress’ (Bauer 1984, 37, emphasis added). Trading proved to be ‘a seedbed of entrepreneurial activities extending beyond trading itself’. This had certainly been the experience with Chinese enterprise around Rabaul.

In Papua, European specialist traders had found the pattern of small, dispersed coastal settlements unprofitable. But as Rowley remarked, ‘not only will the Chinese live on less but he will devote attention to what most Europeans would disregard as poor business opportunities’ (Rowley 1958b, 79). That the absence from Papua of Chinese competitors may have assisted some European ‘small men’ to survive is of less import than the withholding from Papuans of the superior Chinese distributive services available to Melanesians in other places. Around Rabaul Chinese contributed to engaging native people in cash crop production and a diversified set of service activities (Ch. 9). Rowley’s judgement was succinct: ‘Without the Chinese [GNG] might have looked very much more like Papua to European investors’ (*ibid.*, 76). But even accepting that Port Moresby and its hinterland was not a ‘lucky place’, one might invert his logic to say that, *with* the Chinese, Port Moresby might have looked rather more like Rabaul.

The volume and value of ‘native’ copra entering into private trade in Papua cannot be estimated with certainty, although Lewis (1996, 150, n29) suggested ‘it is likely that the cash-in-hand return from the sale of copra to the white traders was greater than sale through the government’s scheme’. Some of this copra came, informally, from Murray’s village plantations, diverted (in a form

of pushback) from official marketing channels (Miles 1956, 322). Other sources were plantings from MacGregor's period and palms planted with the encouragement of traders. Any such unenumerated trade, conducted in breach of the ordinance (and subversive of its intent) is an instance of rural informal economic activity. It was one of the few kinds of Papuan informality likely to have occurred in Murray's time.

Lewis remarked the absence of Papuan entrepreneurs, noting that 'despite ancient traditions of exchange between Papuan communities the intrusion of European commerce led to no growth of a class of "native" traders, small businessmen or skilled managers' (Lewis 1996, 293). This observation is based on a problematic assumption, that traditional modes of exchange should have predisposed Papuans to specialised market exchange. But the findings of Jim Allen (1984, 1985) on Papuan coastal trade as 'a basic mode of subsistence procurement' led him to deny that Hanuabadans, Mailu and other specialised traders engaged in 'the disposal of surplus production for profit' (Ch. 6). My account of the Tolai (Ch. 8) suggested that, while informal trading gave them an entry point to 'the market', they learned to trade only as a secondary occupation. Like Papuans, Tolai also failed to produce 'a class of "native" traders'—if by that term Lewis meant specialised traders divorced from direct participation in agriculture.

Traditional modes of human interaction often impose constraints on participation in the market economy, resulting in *hybrid* economic behaviour. Some degree of hybridity was the norm in much of Tolai economic life and it was seen also in accounts of early Papuan interaction with the market economy. This, together with the absence of an 'Asiatic' intermediary class, the inhibitory policy and social regime created by MacGregor and Murray, and the handicap implied by the idea of Papua as an 'unlucky' place, must all be factored into an explanation

of the apparent dearth of Papuan entrepreneurialism. With emphasis on Port Moresby, Papua's 'central place', these matters will receive further attention below. But first we should consider Port Moresby itself.

CHAPTER 11

The idea of a town in Anglo-Papua

NIGEL ORAM, HISTORIAN of colonial Port Moresby, believed urban administrative decisions often as not derive simply from the way a decision-maker conceptualises ‘the town’. Such a person has ‘his “idea” of the town in the Platonic sense’, distinct from any notion gained by ‘rational assessment of the factors involved’ (Oram 1976a, xii). He was referring to Plato’s concept of ‘the form of the good’, a reality which is perceptible, but not intelligible, and from which are derived all other ‘forms’. The ‘idea of a town’, which serves to guide urban policy and bureaucratic action, springs from processes internal to the decision-maker: ‘the soul’s activity within itself’ (Seyffert 1894, 481). This is potent because, as Keith Hart reminds us, ‘idealist philosophers from Plato onwards thought the general idea of something was more real than the thing itself’ (Hart 2008a, 12). Hart’s ‘general idea of something’, corresponds with what Simon Blackburn called ‘the general concepts making the framework in which we think of things’. In philosophy such general concepts ‘are themselves made into the objects of study’

(Simon Blackburn, cited in Pike 1995). In what follows, the ‘idea of the town’ serves as the object of study.

Here I extend Oram’s argument to suggest that in relatively homogeneous societies the ‘soul’ may be a collective social entity. This is not to say that Port Moresby’s colonising residents were of one mind in all matters. The ‘two moralities’ certainly contradicted that notion. Still, it is reasonable to think that in matters of urban environment and domestic arrangements people of broadly similar background and experience would find comfort in the familiar, and in the exclusion of the unfamiliar and unsettling. If so, early colonial Port Moresby probably generated such a consensus on the ‘idea’ of the town among its Anglo-Papuan residents. From such subjective processes emerges a conception of the ‘form’ of what is good in a town. This consensus defines a particular *urban* formality, requiring behaviour consistent with the maintenance of good urban ‘form’. By simple opposition, informality is behaviour inconsistent with correct urban form. While this study is concerned with Hart’s *market* informality it considers also the additional perspective of Oram’s *urban* ‘form of the good’, since both are relevant to a consideration of urban economic activity.

European residents of Port Moresby shared a broad consensus concerning the ‘form of the good’ in their town. In turn, this form was an important element in norms guiding actions of the town bureaucracy, and Papuans in the town had to become institutionalised to these norms. Here I will examine the elements of social consensus on the idea of the town in ‘Port’ (as its settler-residents called it). This will require an account of the bureaucratic activity—urban administration—conducted to achieve and maintain the prescribed urban form and to secure Papuan *conformity*. It will be argued that bureaucratic action to achieve any *idea of the town* has implications for the possibility and character of urban informal economic activity and that, in the case of ‘Port’,

economic informality was very largely stifled by the particular, colonial *idea of the town*.

Port Moresby became the capital of a British Protectorate proclaimed in 1884, and annexed as BNG in 1888 (see Figure 4, p. 61). Even earlier, Pacific Islander teachers of the London Missionary Society (LMS) had been posted in the ‘great village’, Hanuabada, very close to the site of the modern town.¹² The Reverend WG Lawes arrived later to establish an LMS station, influenced by Hanuabada’s centrality to traditional trade routes, the value of Hanuabadan Motu as a lingua franca, and the belief it was a healthy place. Together with proximity to the nearest Australian telegraph station, these factors would later confirm Port Moresby as capital. A storekeeper set up in Hanuabada in 1880 and with Special Commissioner Scratchley’s arrival in 1884 the three elements of colonisation—cross, commerce and flag—were in place. A visitor the following year recorded ‘a row of small houses ... in Australian fashion with galvanised iron’ in which ‘seven white people ... represented the British Empire’ (cited in Oram 1976a, 21). Even in 1904 the European population was only 38 men and 18 women (West 1968, 35). The eastern town of Samarai was larger and commercially more important. The total white population of BNG was just 573 persons, and ‘with concentrations only on the goldfields and at Samarai and Port Moresby, this community was widely distributed in ones and twos along the coasts’ (Lewis 1996, 39). Even with the benefit of a plantation boom from 1906 and Australia’s acceptance of responsibility for BNG (now renamed ‘Papua’) the white population scarcely exceeded a thousand before the Great War. The indigenous population in the littoral was fewer than 200,000, with ‘the numbers of Europeans that settled or sojourned in the country at any one time never exceeding 1,500 until the second world war approached’ (ibid., 9).

¹² ‘Hanuabada’ is the collective name for a cluster of villages of Western Motu and Koita peoples.

None of the reasons for selecting Port Moresby related to its economic potential. MacGregor defended his frequent absences on patrol by saying that ‘Port Moresby from a native or future development point of view is comparatively unimportant’ (cited in Joyce 1971, 128). Nor did he find it easy to identify local leaders, due to the elusive character of Papuan political leadership. This defeated his attempt to appoint native ‘chiefs’ to act as an intermediate layer of administration. Murray would later have some success in institutionalising a Papuan local government council in Hanuabada, but native administration suffered more generally from these difficulties.

MacGregor had commenced laying bureaucratic foundations, setting up a legal code and judicial system. While there is properly a distinction between the bureaucratic, judicial and legislative functions, ‘multi-tasking’ was unavoidable in a small government service. Often more than one of these functions was embodied in a single officer; in Murray’s case, all three. From 1904, as Chief Judicial Officer, ‘he was also a member of both the executive and legislative branches of government’ (West 1968, 37) and remained so after becoming Lieutenant-Governor in 1907 (*ibid.*, 113). He was able to secure greater coherence—according to his lights—in policy and administration and commenced ‘that practice of regular yearly visits to Australia and of personal control in Papuan government which led some to suppose that he acted as effective head of all the departments’ (*ibid.*, 121). This is not to say that Murray could have ruled by *fiat*; he was obliged to respond to popular concerns, some of which concerned the *idea* of the town.

A policy of segregating non-indigenous residential areas commenced early, under the Protectorate. For appropriate urban ‘form’ a fence was erected around land reserved for European residential and commercial use. The white storekeeper was moved from the native village of Hanuabada to Badili, an area developed initially as a residential zone for South Sea Islanders

and other non-European immigrants. In 1910 a native labour regulation required 'that all employees except domestic servants should be quartered outside the town area and employers were to provide sanitary accommodation. The majority ... were housed in labour compounds at Badili' (Oram 1976a, 33). An urban form comprising European town, traditional village and dormitory suburb began to crystallise. A surveyor was appointed to lay out the town grid even before annexation and a framework of urban administration emerged, based very largely on Australian models. The style was quite 'rational-legal' enough to satisfy any Weberian; Oram remarked that 'for white inhabitants, Port Moresby was administered in the same impersonal and legalistic fashion as any small Australian township' (ibid., 44). Illustrating Hart's dictum that *form* is 'the rule, an idea of what ought to be universal in social life', metropolitan precedents were applied reflexively.

Papuans were 'subject to a separate administrative regime' (ibid., 44). MacGregor had raised an armed constabulary in 1890 and a Town Guard was established. From 1899, *Native Regulations* 'impinged on every aspect of Papuan life'. 'Besides controlling migration into the town, there were further controls of movement in the interests of health [and] ... in 1915 it became an offence for a native to be on premises other than those of his employer ... during the hours of darkness. There were further restrictions to prevent gambling ... [and] native employees were prevented from leaving their quarters after 9pm without written consent of their employer' (ibid., 45–47). By such restrictions Port Moresby's guardians sought to achieve their idea of the town in the unfamiliar setting of Papua.

The 1921 Australian census showed 313 Europeans in Moresby town (Inglis 1974, 26). Indeed, in 'Port', 'white Europeans *were* the town, and made its institutions on the basis of their own whiteness' (ibid., 28, emphasis in original). Demographic change created demands for even more stringent regulation because, by 1933, the proportion of European females had increased from

33 to 45 per cent (*ibid.*, 30). Inglis documented increasing anxiety in this small community, where agitation flared up periodically during the 1920s due to ‘apprehension amounting to panic about the possibility of sexual assault on white women by Papuans’ (*ibid.*, 56). Anxiety also intensified because of opportunism on the part of Murray’s enemies in the business community. In this new round of the contest between moralities women became ‘pawns in the campaign against Murray’ (*ibid.*, 39). Rather uncharacteristically, Murray ‘succumbed to the residents’ pressure’ (*ibid.*, 88), assenting to the *White Women’s Protection Ordinance* 1926, under which (though no white woman had ever been raped) even the attempt was punishable by death.

Further, ‘to his discredit Murray administered and extended a long list of discriminatory legislation’ (Griffin et al. 1979, 30). Adding to restrictions under the *Native Regulations*, ‘a Papuan ... in a public place could not behave in a threatening, abusive or disrespectful manner towards any European, and he was not to beg or loiter’. No Papuan could wear clothes above the waist without permission while, outside the town, in a measure directed at plantation absconders, ‘a Papuan not under a work contract was not allowed within five miles ... of Samarai or Port Moresby unless he had evidence that he could support himself while in the town area’ (*ibid.*). Rowley (1965, 106) explained that such men could ‘be rounded up as being “non-native” to the areas declared, and taken back to work’. This increasingly onerous restriction occurred during the post-war period of economic depression. Morale was low in the beleaguered European community; to the somewhat down-at-heel residents of ‘Port’ it may have seemed that maintaining racial prestige was all the more essential in adversity. In 1930 a deputation proposed to Murray that ‘natives must be taught that this is a European Town and not a native playground’. While persuading the petitioners ‘that emasculation and public flogging with cat and triangle “could not be acted upon in an Australian

territory”’, he yielded to the extent of approving measures for the stricter supervision of Papuans in the town and for the erection of a new fence around it’ (Inglis 1974, 107–109).

In such details Murray showed himself responsive to community perceptions of the *idea* of the town, while defusing and denying more extreme demands. This had not been the case in his most important test, the *White Women’s Protection Ordinance*. Amirah Inglis attempted to explain why this ‘thoughtful and benign administrator’ had agreed to that legislation:

‘Murray brought in the Bill ... partly because he shared many of the assumptions of the white residents about black sexuality and inferiority and about the importance of white prestige ... in this case he bowed before the ... pressure of the most influential men in the town ... In doing so he added to the burden of inferiority which the colonial relationship had placed on the Papuans and to the injustices they had to bear in the white man’s town’ (ibid., 147).

In 1937 a Papuan, Louis Vangeke, returned from Madagascar as an ordained priest, giving the Catholic Murray pause for thought. In a passage which says much about Murray’s attitude to the restrictive ordinances he had been induced to approve and his disdain for many residents of ‘the white man’s town’, James Griffin wrote how:

‘Murray reported that 34-year-old Louis was “quite a presentable youth” but some white residents were enraged that a Papuan spoke French, English and Latin, as well as several native languages. Murray noted ironically that, as drinking by “natives”—according to the ordinances—was banned, Louis should not have been able to receive the Eucharist in both kinds; that he should “strictly speaking say Mass stripped to the waist” because of “native” clothing regulations; and that he should be subject to curfew. These ordinances were simply ignored’ (Griffin 2012).

Perhaps irony was Murray's final defence, in a situation for which he shared responsibility while being aware of its inequities. In the town segregation was social, residential and administrative; race relations were 'paternalistic', following 'the master-servant model'. Discrimination manifested in a thicket of prohibitions—in the cinema, at the swimming baths, in stores and the workplace (Oram 1976a, 59). These and other restrictions would remain in place until the late 1950s, when their repeal commenced. Perhaps as a harbinger of change, the clothing restriction was removed in 1939. In that same year, however, further change was stifled by new *Native Regulations* providing that 'no native shall remain in an urban area for more than four days "without lawful and reasonable excuse"'. This measure was additional to an existing *Vagrancy Ordinance* (Oram 1967, 36).

The *White Women's Protection Ordinance* and other discriminatory measures were elements in a collective Anglo-Papuan notion of the 'form of the good'. This (to recall Nigel Oram's invocation of Plato) was a product of 'the soul's activity within itself'. The ordinance was the most dramatic element in a body of regulation—much of it directly relevant to economic activity, and all of it *implicitly* so—designed to realise the 'idea of a town'. Keith Hart (2013) has remarked on the contrast between pre-colonial cities in West Africa and the settler-created cities of southern Africa. The former retain vivid traditions of urban informality derived from their organic, unregulated origins, while the latter continue to reflect the regulatory cossetting which buttressed the original white settler *idea* of the town.

In the case of Port Moresby, settlers' fear of economic competition—quite explicit in the case made for excluding Chinese—was among the factors supporting such regulation. As for Papuan competition, the convenient notion they could never pose an economic challenge to the Australian workingman required exercising that selective blindness which refused to acknowledge

the technical training and industrial achievements of the Kwato mission, in Milne Bay Province, southeastern Papua (Abel 1969). In such an environment, what Hart described as the ‘institutional effort to organise society along formal lines’ produced neither an intermediary class of entrepreneurial Papuans nor any significant informal economic activity. The preservation morality and an Anglo-Papuan idea of the town combined to produce what Charles Rowley (1965) called *obsolescence*. Explaining this outcome requires considering the working lives of Papuans in the interwar period, and how colonial policies retarded urbanism.

CHAPTER 12

Papuans in town before the Pacific War

IF THIS CHAPTER and its predecessor give the appearance of being an extended commentary on the work of Nigel Oram, it is because of the magnitude of his contribution. It is measured in terms of historical and linguistic scholarship and his grasp of administrative and town planning principles, all informed by a profoundly humane sensibility. That later scholars have so rich a corpus to inform newer speculations, including this attempt to refocus colonial history through the formality/informality duality, is a tribute to Oram's careful documentation. Understanding how Papuans related to the town in Murray's time requires examining two closely related themes. The first—a unifying thread running through Oram's work—was Hanuabada's centrality to traditional maritime trade routes along the southern Papuan coast. The other is the nature and significance of that trade. Any conjecture that traditional trade ought to have 'predisposed' Papuans to commercial exchange is untenable, while my account of the Tolai (Ch. 8) concluded that in the market economy introduced by German colonisers they learned only to manage secondary modes of trade. That conclusion,

supporting the idea of a Melanesian singularity in regard to specialisation and exchange, will be shown here as holding with even greater force for the limited market engagement of Papuans in the early colonial period.

If traditional trade did not prepare Papuans for the commerce of Port Moresby, it did equip Papuans from other districts to live there. LMS missionaries regarded Port Moresby as ‘an entrepot where people came to trade and thus learnt about the mission’ (Oram 1976a, 14). Reverend Lawes had ‘found that a knowledge of Motu ... helped him to communicate with people as far as the China Straits’—the location of Samarai—and the government adopted a simplified ‘trade’ version of Motu, widely understood along the coast, for administrative purposes. Hanuabadans had trading partnerships with men from the Gulf in the west, and from Hula, Aroma and other places in the east. As the town grew and formal employment opportunities opened up, such relationships would become crucial in permitting other Papuans to establish themselves.

Located in a rain shadow, Hanuabada and other nearby Western Motu villages such as Vabukori were unsuitable for the village plantations encouraged by MacGregor and Murray. Nor did their men show any enthusiasm for indentured labour, instead continuing for a time to mount trading expeditions while gradually taking up formal jobs. Even there they were selective; ‘Port Moresby villagers disliked joining the police and acting as carriers, but were good boatmen and houseboys’ while ‘as their standards of education rose they became craftsmen, interpreters and clerks’ (Oram 1976a, 55). Some few women worked as laundresses and domestic servants from the 1890s, while mission-educated women trained as nurses (*ibid.*, 56). Until after the Pacific War these were virtually the only occupations open to them.

As traditional landowners in the capital, Hanuabadans enjoyed privileged access to Western education and formal employment,

enabling them to acquire a stock of 'human capital' during the interwar period. They would experience more rapid and sustained social change than any other Papuan community before the Pacific War, and in this they resembled people of the peri-urban Tolai village of Matupit. Hanuabada's inferior natural resources meant, however, that its people would become far more reliant on the formal colonial economy than did the Matupi. The latter retained a base in subsistence throughout, finding informal, complementary sources of cash income which left them much less dependent on wages (Ch. 8). By contrast Hanuabada became increasingly disconnected from subsistence and its people proletarianised. In what seems a questionable bargain, they gave up fishing, trade and pottery-making to become dependent on wage employment, mostly ill-paid and semi-skilled.

Lawes prepared scriptural materials in the Motu language and established an LMS school. In 1884 a hundred children enrolled at another such school, at Hula, could read and write (Griffin et al. 1979, 6) so that by 1941, 'a large number of people in the Port Moresby area and beyond had a fair knowledge of English' (Oram 1976a, 53). Formal education was left to the missions and in 1940 some 3,000 pupils sat for the examinations on which government school subsidies depended (Miles 1960, 9). Perhaps in consequence, Murray's attitude to Papuan capacities changed over time. After the First World War, he 'forsook his earlier views and began to see the Papuan as an independent producer, as a clerk, an artisan and a petty government official'. But influenced by the inescapable barrier of the colour bar, 'he could not see the Papuan as a business man or a professional man'. Such attitudes may account for the colonial expectation that Papuans would advance themselves on a ladder of formal employment, rather than through self-employment or trade. Western education would equip them for allotted roles in a hierarchical society (Miles 1960, 4) and, indeed, records showed many men from Port Moresby who were retired by the 1960s had

been in regular employment from the 1920s. Oram suggested that by 1941, ‘many, and possibly the majority, of adult males under 50 years of age, had been in [formal] employment at some time during their lives and many of the younger men were permanently employed’. Their advancement, however, was ‘limited to the lowest ranks of the official and commercial hierarchies’ (Oram 1976a, 55–56).

Increasing dependence on formal employment brought with it changing consumption habits. The Resident Magistrate wrote in 1919: ‘Now the males seek employment in the town, and the wife and children live principally on tea and biscuits, with an occasional tin of meat and fish, and the cultivated areas are becoming smaller and smaller’ (cited in Oram 1976a, 57). Other needs for money arose, not only for imported consumer goods but also church levies, the native tax and council tax. Labour-intensive activities, such as the collection of ‘bush’ materials for village housing, became increasingly onerous as time became money. In 1924 Hubert Murray lamented the erection of ‘some dreadful structures ... in Port Moresby village with roofs, and occasionally even sides of galvanised iron’ (*ibid.*, 34). For the same reason, by 1927 the great annual feasts which had galvanised the communal energies of Hanuabadans were abandoned because of the competing demands of formal employment (*ibid.*, 57).

Papuans coming to town from areas of Motu trade were able to communicate, and to call on traditional relationships for assistance. Some married into the villages—for example, men from the Gulf district living on Vabukori land from 1927 (*ibid.*, 34). Perhaps responding to the decline of Motu voyaging, Gulf people began to sail to town with sago from the late 1920s (*ibid.*, 57). During the Great War traditional Hula trading canoes ceased to ply, but enterprising Hula families in smaller craft continued to visit Moresby for sago, exchanged for fish caught locally as Motuans neglected their fishing grounds. Much later, after the Pacific War, Hula control of fishing off the town would be virtually complete and Hanuabadan

fishing would become simply recreational. Men from beyond the traditional trading regions were recruited as indentured labourers for wharves and public works. Others began to practice short-term circular migration to achieve specific goals. Paying head taxes and church dues motivated some, since casual jobs were available for up to three months without indenture (Oram 1968a). Then they were liable to be sent home because authorities (especially after the *White Women's Protection Ordinance*) policed regulations zealously. It was a source of satisfaction for officials to point to the almost complete absence of 'detribalised' Papuans in 'Port'.

Though numbers of migrant workers living in or near Port Moresby were never large in the interwar period ('well under 500' before 1941 [Oram 1976a, 38]) and few had dependents in the town, they still had to be housed. Short-term visitors from coastal regions could beach canoes at friendly villages and some permanent settlements originated from such episodes. Others acquired occupancy rights by marrying local women or relying on fictive kin relationships from traditional trading, while many were housed in labour compounds at Badili. The area was insanitary and from letters to the *Papuan Courier* in 1940 we learn that 'it was no wonder that natives preferred to build their own quarters "by erecting a crowd of unsightly humpies made from scraps of tin, waste bits of corrugated iron, packing cases and shattered boards"' (ibid., 34). Some Hula who succeeded in remaining for extended periods built dwellings as 'permitted occupants' on traditional land, or as squatters on government land (Oram 1968b, 3). These changes suggest the beginnings of Papuan informal investment in urban housing, occurring as pushback against the bureaucratically prescribed urban 'form'. Whether on customary land or in settlements of migration, such informal action challenged the colonial 'idea of the town'. After the Pacific War it would transform the physical fabric of Port Moresby.

Intimations of an urban informal economy

In much of the developing world, incremental investments in non-traditional housing are among the most important elements of an urban informal economy. Such investments, involving the use of industrial materials and introduced tools, were emerging in interwar Port Moresby. There is no evidence of the extent to which these represented monetised (i.e., *informal*) transactions, rather than customary self-help arrangements combining the utilitarian and the traditional. More generally, evidence of economic informality is quite limited in the historical record. For instance, visits by Gulf district voyagers bringing sago to the urban villages, and by Hula families to obtain sago, probably amounted to traditional utilitarian barter (a modernised version of Allen's 'subsistence trading' [Ch. 6]) rather than monetised informal transactions). On the other hand, circular migration to earn cash for head tax and other obligations by selling fish in the town (done by those frontrunners of informality, the Hula) *did* represent incipient informal economic activity.

Evidence is abundant of the failure of Motu people to produce any significant food surplus for sale in the town, whether to Europeans or to labourers in the Badili compounds. In any case white settlers 'did not enjoy sago and yams, the staple diet of the local Papuans, and with a five-weekly boat from Australia were not forced to eat them, but subsisted mainly on tinned food, unless they were lucky enough to employ a "shooting boy" who brought in fresh wallaby' (Inglis 1974, 36). Nor did demand from Europeans stimulate Hanuabadans to commercial fishing, since they were abandoning subsistence fishing. In the early 1920s the Australian *Navigation Act* (Ch. 8) disrupted shipping to the degree that 'European food supplies were endangered and employers threatened to send their indentured labour to Port Moresby to be fed by the Administration' (Oram 1976a, 29). From this we can assume that not only were plantation labourers customarily fed imported rice and bully beef

but that there was no surplus production of, or trade in, Papuan staples. It is telling that only after 1953, when Koke (Koki) market was established near Badili (see Figure 7, p. 185), did the town have a focal point for informal fresh food marketing.

Oram looked for evidence of market economic activity in the interwar period, concluding that ‘few Papuans undertook money-earning enterprises on their own account’. Among the few positive examples was cultivation for sale of exotic vegetables (including tomatoes and pumpkins) by Koita agriculturalists, neighbours of the Hanuabadans. Nor could the latter be induced to provide fish for the town. It was left to people who appear in this narrative as precocious informalists—seaborne visitors from Hula—to hawk catches from door to door. A technically trained and well-paid Motuan named Oala Dagora took the initiative to leave his formal job and buy a lorry, leading Murray to comment in an Annual Report that ‘perhaps Papuans are trying to advance too quickly’. In 1929, the people of Hanuabada and Tatana owned cutters in which they shipped sago from the Gulf, and Vagi Rei of Vabukori owned a sailing boat for trading kerosene with Gulf people. He put money in the bank (‘unusual in a Papuan’) enabling his son to build up a trade store (*ibid.*, 56).

As suggested above, it is not clear that efforts to obtain sago from the Gulf using modern vessels showed any intention to retail sago commercially. More likely, the Motu men concerned were motivated by desire to achieve prestige by reviving or sustaining traditional Maussian feasting and at best these were hybrid transactions rather than ‘market’ dealings. Murray’s negative reaction to Dagora’s entrepreneurial gamble hardly suggests official encouragement. Instead it recalls the mindset leading him to discourage private traders from dealing with village copra-growers. Finally, it is telling that visitors from Hula rather than Motu residents hawked fish around town and on the beach near Badili. This is not to deny the truth of other instances of informal activity by local villagers

mentioned by Oram, but the record is negligible compared with the situation in contemporary Rabaul.

An 'obsolescent' economy and society

World War II came to the island of New Guinea in 1942, the Japanese occupying Rabaul in January and bombing Port Moresby from February. Preparation for hostilities had commenced earlier in the Papuan capital with some build-up of white population and formal indigenous employment altering the complexion of Hubert Murray's town. His tenure as Lieutenant-Governor had ended two years before, in its thirty-third year. Maintaining his habits of restless energy, Murray died in harness at Samarai en route to inspections in the Trobriand Islands. Reflecting on the condition of Papua and its capital at the end of this long career, an expression used in *The New Guinea Villager* by Charles Rowley is revealing. He employed the term 'obsolescence' to describe the unified Territory of Papua and New Guinea after the Pacific War. It signified a dysfunctional state, unsustainable in social and economic terms and marked for change. But this was true even *before* the war, and more particularly so in Papua where the condition was acute. In what follows the social and economic obsolescence of pre-war Papua and its capital will be argued.

Historians such as West and Joyce, respectively the biographers of Murray and MacGregor, had remarkably little to say about the town these men created. West, during whose period Port Moresby took more definitive shape, was perhaps guilty of the same selective vision he ascribed to Murray: 'Concern for natives on the fringes of contact distracted his attention from those who had been in contact with Europeans for well over a generation ... and who wanted or might have been ready for innovation. Pioneering interested Murray: established respectability and routine did not' (West 1968, 275). To the extent this was true it helps explain Murray's austerity

in regard to ‘furnishing’ the town as a place for living, rather than simply an administrative centre and port. He was notorious for spending more on the wharves than on urban amenity and ‘Port’ was the subject of invidious comparisons with the altogether grander town of Rabaul. If West rather neglected Port Moresby in his account of Murray it was because Murray himself thought little of it. It was for him ‘a trying place’ and its society ‘maddening’, although ‘the lieutenant-governorship compensated for these disadvantages’ (*ibid.*, 121).

It was left to Nigel Oram to take Port Moresby seriously. For him, in 1942 the formal town was Australian, both ‘in appearance and character’. Its residents almost exclusively European, they enjoyed ‘standards of services and amenities similar to those available in a small Australian country town’. As to the Papuans, other than in daylight hours when their ‘only function’ was ‘to provide labour’, they were excluded from the formal town (Oram 1976a, 41). In Port Moresby and its villages and compounds there were some 400 Europeans and between three and four thousand Papuans (no more than 500 from elsewhere). There was ‘a handful’ of Asians and mixed race people, including just four Chinese men (*ibid.*, 59) and some few ‘Malays’, Filipinos and South Sea Islanders mostly resident in Badili. Such ‘coloured’ immigrants occupied an intermediate social space, better paid than Papuans and filling ‘the middle ranks of the public service and commerce as clerks, headmen and mechanics’, though seen as inferiors by Europeans. They differed markedly from that other intermediate group, Rabaul Chinese, in that they were not in general entrepreneurial. There is no evidence of their engagement in informal economic activity, nor of the ‘moonlighting’ so common among the Chinese. Moreover ‘they did not form a corporate social group ... were few in number ... had virtually no political influence and made little impact on the social life of the other racial groups’ (*ibid.*, 38).

Papuans in and around the town were still ‘treated as inferiors to whites in many and often humiliating ways’. Oram claimed their acceptance of this was induced by limited aspiration and the Christian missions (influential in inculcating notions of a present ‘time of light’ which had succeeded a ‘time of darkness’). A still undeveloped consciousness of racial discrimination repressed awareness of their objective situation. They remained subject to ‘the psychological effect of smothering paternalism’, an influence unlikely to encourage entrepreneurial behaviour. Oram judged that, ‘while difficult to measure [this situation] led to a passivity and an attitude of dependence in the face of external challenges which were to leave the villagers defenceless against rapid social change ...’ (ibid., 61). Such change commenced with the Japanese advance to within 30 miles of Port Moresby, and the Allied response in which Papuans were caught up willy-nilly.

Paternalism in the culture of colonial society affected Papuans’ ability to improve their livelihoods. This was suggested by Crocombe’s anecdote (Ch. 10) concerning the failure of Northern Division villagers—even after the Pacific War—to grasp that they could grow crops individually. Such a situation diminished Papuan capacity, whether for independent, informal, market engagement or even for formal employment. The final chapter of the Murray saga, and the role played in it by Hubert’s nephew Leonard Murray, is richly suggestive of this bureaucratic culture. A long-serving member of Hubert’s Executive, and committed to the ‘Murray Policy’, Leonard was appointed Administrator in 1940. He served for a short period marked by disorganisation, and friction with the Commandant of Australian forces. Leonard Murray was accused of having abandoned Papuans on the eve of Japanese invasion by withdrawing staff from ‘out-stations’, rural administrative posts (Nelson 2000). In a post-war Commission of Inquiry, Leonard defended this decision, claiming—in a revealing passage cited in Oram—that:

‘An integral part of our native policy in Papua has been to keep every village native’s rights intact ... There were no detribalised natives dependent on the white man to live as are found in large numbers in other countries. In any crisis natives who were away from their villages could return to them and resume their village life’ (cited in Oram 1968a, 69).

Oram said this statement ‘was an epitaph on the Murray regime. He did not consider that Papuans would have suffered much harm from the withdrawal of white officers’ (ibid., 68). Alternatively, we might see this as Leonard Murray admitting to an official policy of retarding urbanism in favour of the preservationist orthodoxy.

Obsolescence and retarded urbanism

Retarded urbanism was a corollary of Rowley’s ‘obsolescence’, achieved by braking normal processes of family formation and economic diversification in towns. In Papua this situation originated from the earliest colonial period, and by the 1930s a fully formed bureaucratic framework existed for discouraging, even repressing, urban development. While elements of such obsolescence were also present in Rabaul its hinterland economy was more robust and indigenous agricultural innovation was occurring. Such influences lent greater vigour to the town (Ch. 8). Tolai were active in independent cash crop production and participating in a thriving set of rural-urban economic relationships, activities with little counterpart in the Port Moresby hinterland.

Rowley saw urban and rural problems as two sides of the coin. PNG was obsolescent by comparison with other decolonising states because so small a proportion of its population was committed to formal employment. In rural areas, ‘the great majority of those who have tried employment as a way of life have rejected it after one experience. The levels of management and the rewards have been typical of the plantation system at an early stage of development,

for [PNG] plantations are among the most obsolescent in the world' (Rowley 1965, 114). The system was inefficient and plantations were sustained by an implicit subsidy they extracted from the villages supplying their labour (a subsidy also acting to depress urban wages). In remarks describing the plantation sector of the 1950s, but equally applicable to pre-war Papua, Rowley asserted:

'We have accepted the heavy degree of dependence on migrant labour, with its economic and social consequences. Economic effects include the rejection of wage employment by villagers who live close to the places of work. This in turn necessitates further dependence upon unsophisticated primitives, a primitive standard of labour efficiency as the norm, and poor management. Social consequences are that wages, workers' compensation and services are fixed with relation to the *single* worker from the bush, and on the assumption that the village is his real support' (Rowley 1958a, 541, emphasis added).

Societal, as distinct from economic, obsolescence was evident from 'the fact that such a high proportion of those who go out of the villages for employment are very short term transients through the towns, acquiring most of their sophistication in the brotherhood of the plantation labour lines along the coasts' (Rowley 1960, 1). This situation, exacerbated by policies to repatriate the unemployed from town and repel independent migration to it, was also unsustainable. People could not indefinitely be denied exposure to 'the impact of ideas, the monetisation of the economy, fluidity of movement, the development of communications, the impact of Western education and literacy which undermines the traditional systems of belief and directs the minds of villagers out into the great world'—exposure which Rowley (1965, 196) saw as intrinsic to urbanism.

Even more fundamentally, 'without some degree of efficiency and stability in wage employment, [PNG] cannot develop the basic requirements of a modern community' (*ibid.*, 111). But efficiency

also demanded a greater degree of wage equity, and this was not secured in towns where wages, as in rural areas, were based on the 'single man' standard. To achieve stability of urban employment would require a family wage, posing a 'basic dilemma' for employers. 'The wage has to be a living wage, and it is insupportable to expect a family to live in a town where prices are the same for white and coloured ...'. On the other hand 'wages have to bear some relation to productivity; and increased productivity requires attitudes which are the reverse of traditional ones, basic and technical education, improved health and more effective incentives than the strongly authoritarian management, which is still common in town as well as country areas, can provide' (ibid., 199–200). These deficiencies, underlying both the obsolescence of industrial organisation and the retarded urbanism of Port Moresby, were already in place by the end of the Murray era.

Social obsolescence was evident in a wage structure acting 'to limit the possibilities for normal family life in town' with negative impact on quality of life for all residents. Along with discouraging urban family formation it led to circular migration, threatening the stability of both urban and rural populations. Hanuabadans, their lands progressively enclosed within the town, were in a different category. 'These people have borne the full impact of urban development' by committing to wage employment while losing the subsistence production which subsidised indigenous employment in 'obsolescent' Port Moresby. 'The gearing of the wage to the needs of the single man has had especially deleterious effects in this kind of village' (ibid., 197). Hanuabadans were acquiring some characteristics of the 'detrribalised native', whose presence in Port Moresby Leonard Murray was so anxious to deny. The Matupi in Rabaul were different because they maintained subsistence agriculture well into the post-war period. They supplemented it with informal economic activities, whereas van Leur's 'secondary' trading was notably lacking in Moresby.

The failure of Tolai and Chinese in Rabaul to conform with social arrangements flowing from Dernburgian orthodoxy, and to accept the economic roles it assigned them, resulted in informal economic behaviour. By contrast, Papuans in and around Port Moresby in the interwar period very largely *did* accept the orthodoxy implicit in the 'Anglo-Papuan' idea of the town and conformed with the economic and social behaviours it required. Normal processes of urbanism were inhibited and autonomous Papuan enterprise, if not actively suppressed, could scarcely flower in the highly regulated town environment. As mentioned, there was some informal marketing of agricultural produce and fish among Port Moresby villagers while others had taken tentative steps towards service activities. But if there was little scope in the town for informal activity, neither was there the open unemployment which might have driven some Papuans to resort to it. This was because urban residence was controlled to exclude 'incomers' without formal means of livelihood.

As we have seen, many men from urban villages had significant experience of formal wage employment from the interwar period, while others continued to engage in traditional subsistence. The balance between these options altered over time. As wage employment became more important subsistence declined. However traditional sharing within and between families still required wage earners to support unaccustomed numbers of people amid growing deprivation. In rural areas Papuan market economic activity received only fitful encouragement, under circumstances in which policy favoured communal activity over individual initiative. Further, for 'unlucky place' reasons—having to do with the unpromising character of the capital's immediate hinterland and the inadequacy of investment to link it with more distant regions—interwar Papua failed to develop any vigorous system of rural-urban economic linkages such as characterised the Gazelle region. The mercantilist ideology prevailing in New

Guinea was both more compelling and more coherent than the preservationist orthodoxy guiding policy in Murray's Papua. It is tempting to suggest this as explaining the spirited pushback against bureaucratic regulation observable on the Gazelle, as Tolai reached for the economic opportunities available. By contrast, in Papua the native people appear to have been relatively passive in the face of the 'smothering paternalism' of colonial bureaucracy.

This is not to suggest pushback against bureaucratic regulation was completely absent from Papua in the pre-World War II period. A major exception was the willingness of newcomers to the capital to invest in informal housing, in face of official efforts at control. Among 'pacified' rural populations resistance took a number of forms, including reluctance by some to 'sign on' for formal indenture and the unwillingness of many to re-engage. Among those accepting contracts, pushback took the form of friction between labourer and overseer, and of desertions. These are scarcely dramatic instances but 'there was a gap between open opposition to the government, its laws and its officers, and the small thefts and evasions that could occur on plantations'. The latter might occur when 'Papuan were prompted to assert their dignity as men' (Lewis 1996, 268).

Again, some rural villagers sold copra to private traders, rather than through prescribed channels. Few seem to have been as enterprising as those from Hula who, lacking their own coconut palms, obtained nuts through traditional barter, made copra and then resold it to traders for cash. Non-conformity was seen also in the failure of some individuals to return home after indenture. This led to their long-term disassociation from village society, an outcome authorities were anxious to avoid. Some few drifted to urban areas and managed to escape repatriation while others found their way to mining camps. Independent 'artisanal' gold mining, conducted by groups of former indentured mine-labourers,

was another rare instance of rural informal economic activity in the interwar period.

The obsolescence of Papuan plantation economy was due to poor management and a labour system typified by what Rowley (1958a, 541) called 'a primitive standard of labour efficiency as the norm'. Plantations relied on what Belshaw (1957) recognised as an implicit subsidy, paid to them by the rural village sector (Ch. 10). This situation had its counterpart in the obsolescence of Port Moresby society, where the regulatory framework and the consequences of racial discrimination, together with a wage structure influenced by rural levels of remuneration and based on the needs of the single male, prevented the small urban migrant community from developing a normal population structure. In terms of their use of Papuan labour, both urban and rural economies were caught in a low-wage, low-productivity trap.

Papuan urban workers were disadvantaged by a regulatory environment having as its consequence, intended or not, repression of the informal provision of marketed goods and services. Such 'wage-goods' were commodities of potentially great significance for low-paid urban workers. Although Rowley's assertion of obsolescence related to the 1950s I have chosen to 'back-project' this situation to the 1930s, making the case that not only was the condition already present before the Pacific War but that Port Moresby was in a worse state than Rabaul. Rural-urban linkages on the Gazelle enabled urban workers to enjoy the relatively low-cost wage-goods found in the *Bung*, the Rabaul town market, which had no counterpart in interwar Port Moresby. Further, innovation was occurring in indigenous cash cropping in the Gazelle hinterland, raising the cash incomes of rural dwellers and permitting the more efficient provision of produce for urban consumers. In both territories at that time, however, the absence of efficiency and stability in formal wage employment prevented the emergence of what Rowley called 'the basic requirements of a

modern community'. A substantially higher incidence of economic informality around Rabaul was evidence of its greater progress towards participation in the market economy than had proved possible in Murray's Papua, while Rabaul demonstrated a more vigorous urbanism than its 'Anglo-Papuan' rival.

CHAPTER 13

Hidden valleys: A new white Highlands?

INFORMALITY CHALLENGES BUREAUCRACY by failing to conform. The metaphor of pushback is employed in this study as shorthand for such non-conformity—*kicking against the pricks*—as the King James Version has it. Unfortunately for the bureaucratic state and its administrators Damascene conversions were relatively uncommon among colonised populations; their propensity for informal action was not only persistent but had an almost microbial capacity for mutation when challenged. That propensity was illustrated by a highland population in and around the Goroka Valley, located in the Mandated Territory of New Guinea (and now in the Eastern Highlands Province of PNG; Figure 6). These ‘Gorokans’ were a distinct element of the greater highland population whose traditional trade patterns were described by Ian Hughes (Ch. 6). To complete the narrative in Part B of this study requires an account of their incorporation into the Mandated Territory. This chapter describes the earliest stages in the introduction of Gorokans to market economy, commencing their transition from subsistence.

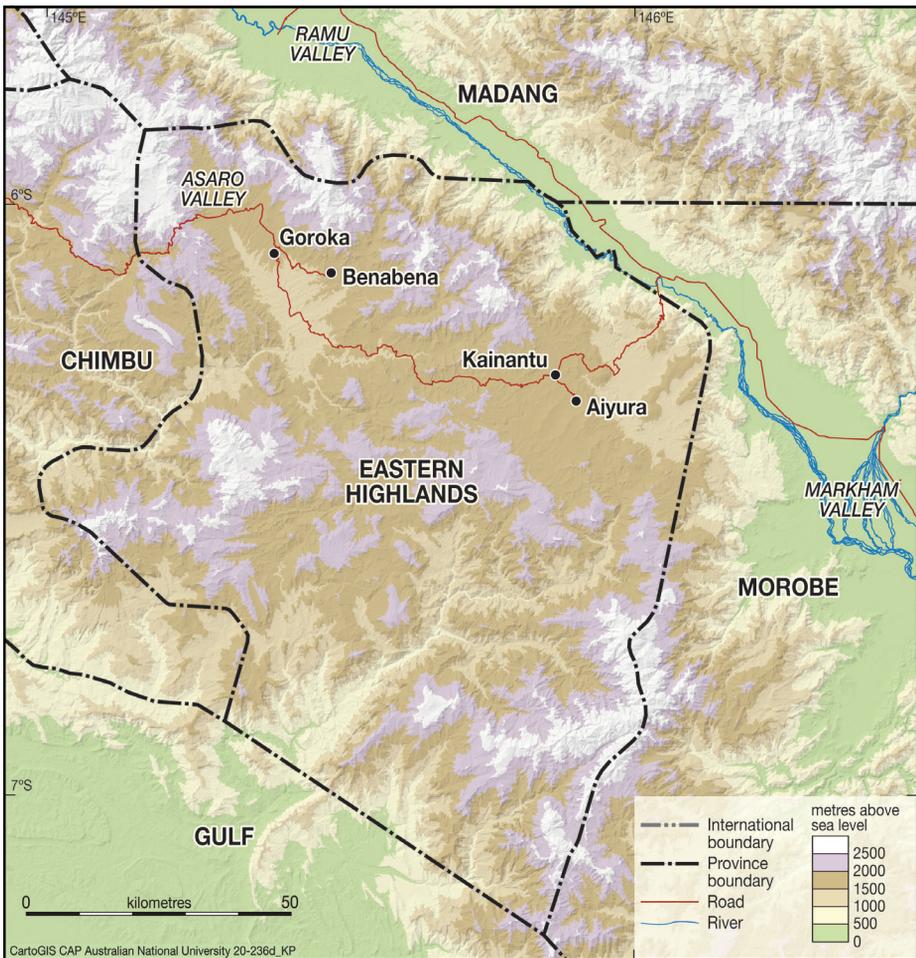


Figure 6: Goroka and the Eastern Highlands

When first contacted during the late 1920s by European gold-seekers and missionaries, Gorokans had very little knowledge of the outside world and no system of monetised exchange, but by Independence in 1975 they had become active participants in the international coffee trade. This experience involved great change in their modes of livelihood and social organisation. The ensuing disruption of their traditional lives and the necessity to adjust led many to cope by engaging in economic informality, while also

displaying hybridity in their economic activities. As previously explained (Ch. 2) the informality construct cannot be applied to traditional forms of exchange such as occurred in pre-contact Goroka. Informality became salient only with the commencement of market exchange, with the introduction of bureaucratic regulation, and with efforts by traditional subsistence agriculturalists to accommodate themselves to the modalities of markets. Such accommodation normally throws up economic informality, as indigenous people grapple with unfamiliar 'market' norms. It also induces hybrid behaviour, in situations where introduced market economic dealings sit uncomfortably alongside traditional norms, with one apt to compromise the other.

The colonial intrusion: 1930–1945

This introduction to early colonial Goroka deals briefly with the 'discovery' by Europeans of the previously unknown central Highlands populations of the island of New Guinea. For most of the interwar period the outside world regarded the region as a void because overstretched colonial budgets and administrators' continuing preoccupation with coastal populations had combined to delay exploration of the interior. As late as 1927, when commercial aviation became established on the goldfields of Wau and Bulolo at the eastern end of the central cordillera (see Figure 1, p. xxvi), its capacity for overflight still fell short of the altitude and range necessary to probe the central Highlands. Though aircraft would soon come to play an essential role in opening up the region it was left to men patrolling on foot to make the initial, stunning discoveries. An account by Francis West conveys the impression these produced, inspiring comparisons with British colonial settlement in the highlands of Kenya:

'The heart of the island of New Guinea was long supposed to be wholly mountainous and uninhabited, but in the early

1930s, shut off from the coast by high mountain ranges, great grass valleys were discovered ... green, temperate and fertile, [these] supported a greater concentration of native people than existed anywhere else in the island. The effect of their discovery was tonic ... suddenly, in the midst of this unattractive land a wonderland was found—an area so obviously suitable for white settlement ... that the enthusiasm of the early explorers spilled over in phrases about *a new white highlands* which would be, in time, the most important part of the country ...' (West 1956, 305, emphasis added).

Highlanders themselves were not totally unaware of a larger world, for among the valuables which changed hands in their elaborate ceremonial exchanges were shell ornaments sourced from the coasts. These were obtained through chains of transactions in a system described by Hughes as 'interlocking and overlapping', and consisting of a myriad of personal trading networks. In the closely settled Highland regions, however, such traders were seldom able to travel more than 'eight to ten miles' from home—and then only in heavily armed parties. Cordillera dwellers were dependent upon poorer folk in highland fringe communities who acted as intermediaries for utilitarian goods and ceremonial valuables found in the lowland forests and coastal regions. Highlanders received these from adjacent trade partners without any knowledge of the environments from which they originated, or the people who produced them (Hughes 1977).

If during the 1920s some few missionaries had been aware of, while officials suspected, the existence of a previously unknown 'Tibet' in the mountains, both groups had their own reasons for not publicising the fact. In the event European missionaries and gold-seekers preceded officials into the fringes of the region before the end of the 1920s. In 1933 a seven-month patrol, the first east-west traverse through the central Highlands, was made by an official party led by District Officer Taylor and including the brothers

Mick and Dan Leahy, civilian gold prospectors. They proceeded from 'Upper Ramu' (later Kainantu) at the head of the Ramu Valley passing through what is now known as the Goroka Valley, and to as far west as present-day Mount Hagen before retracing their steps. The party encountered 'elements of population groups that probably exceeded 500,000', so that 'in the space of one month ... the Government of the then mandated Territory of New Guinea had its administrative responsibility for people doubled' (Downs 1980, 175–176).

Violence occurring during the subsequent rush into the interior by miners and missionaries caused government to declare the area 'uncontrolled' in 1936. After this only Taylor and other government officers, Leahy family members (including a third brother, Jim) and some missionaries were permitted to remain, while 'pacification' of the local people proceeded.

During the Pacific War from 1941, administration activity was confined largely to levying labour for infrastructure works and patrolling around the established government posts, Kainantu and Benabena. The latter was near modern Goroka town, where the construction of a wartime airstrip would establish the settlement's regional primacy. Despite episodes of Japanese bombing, the posting of some US and Australian troops to the district, outbreaks of introduced disease requiring attention from medical patrols and some agricultural innovation, the area remained comparatively undisturbed. One should not think of pre-contact Highland societies as static, however. The evidence suggests social and psychic changes of a particularly significant, non-marginal character occurring from the early 1930s (Hughes 1978; Strathern 1979). These changes were the result of new, external forces affecting indigenous social structures and exchange patterns. Such change continued throughout the war and into the post-war period, diffusing areally with the spread of colonial influence. The forces impelling change included two almost simultaneous and

interacting social disruptions stemming from European contact. These were the introduction of steel tools and the importation of unprecedentedly-large quantities of the marine shells which had served as media of exchange in traditional Highlands trade, and as valuables in ceremonial exchange.

Salisbury (1962) showed how the eclipse of stone axes by steel drastically reduced the time required for Highland men to make their normal contribution to subsistence production. Their initial response was to spend much of this extra ‘leisure’ engaged in warfare. As pacification proceeded, their energies were diverted to an ‘efflorescence’ of traditional (i.e., Maussian) exchange—contesting for prestige and political influence through feasting and the ceremonial distribution of wealth in pigs, shell and other valuables. Women, by contrast, did not benefit greatly from the introduction of steel. Instead they suffered escalating demands for labour to make gardens and raise pigs, in order to meet the requirements of burgeoning ceremony conducted by men. Hughes and Strathern documented the widespread occurrence of these changes throughout the Highlands, amplified by the second disruption—increased availability of shell valuables. This occurred as soon as the European intruders understood how much Highlanders prized the comparatively few shells they had been able to acquire through traditional exchange.

Grasping the opportunity, government officers, missionaries, miners and traders alike began to import shell to trade for the labour and food supplies necessary to establish themselves in the region. At least in the beginning, small amounts of shell of trivial cost on the coast could buy goods and services of much greater value to Europeans. In the Eastern Highlands, ‘men were prepared to work on tasks like airstrip construction for a month in return for one [egg-white cowrie] shell which cost the Europeans one shilling plus freight’, while further west ‘a Catholic mission station was built ... with the aid of “thousands” of helpers paid a “few” [small]

cowrie shells per day, and the first large green-snail shells were being exchanged for pigs at the rate of one for one' (Hughes 1978, 311–312). In quite a short time the shell currency (which Hughes called 'the coin of the traditional realm') was debauched as the quantity in circulation increased, courtesy of airlifts from the coasts bearing quasi-industrial volumes of shell.

Government dealings in shell continued through the war years to finance the labour requirements for maintaining administrative control and building infrastructure, especially airstrips. Substantial imports resumed after the cessation of hostilities, since the demand for shell, especially among more recently pacified groups, continued into the 1960s. Because of the areal diffusion process, 'sophisticates' closer to the centres of European activity were able to benefit from arbitrage, in exchanges with country cousins unaware of changing relative values caused by shell 'inflation'. Smart operators grew rich from this 'shell bubble' and local balances of political and economic power shifted. In the judgement of Ian Hughes:

'The discontinuous distribution of traditional resources and other economic and political factors had always ensured the existence of social inequalities, but a generally rough balance of mutual dependence upon neighbours was now reduced in favour of dependence upon a new elite' (*ibid.*, 318).

Efflorescence of exchange revealed the capacity of many Highland productive systems to generate substantial surpluses of vegetable foods and pig meat, though it also revealed the limits to such 'affluence'—in particular the constraint on production posed by demands on the labour of women. Traditional trade flows were interrupted and re-patterned, with (as suggested by Hughes) complex economic and political consequences. The emergence of Hughes's 'new elites' was associated with what Salisbury (Ch. 3) called 'political consolidation'—the forging of larger political groupings and the ascension of leaders with greater power and

influence. Among the causes of such consolidation were flows of women and pigs to groups advantaged by access to the new supplies of shell, causing the political and economic decline of less advantaged groups. In turn, the prominence of new leaders often commended them to colonial authorities as interlocuters and village office-holders, further entrenching their elite status. Thus, even in this pre-capitalist period before the introduction of market exchange, inequalities in status and traditional wealth seem to have increased.

The account of Goroka's induction into market economy will continue in Part C of this study. This includes a series of chapters concerned with the period following the Pacific War and dealing in turn with Port Moresby (Chs. 16–17), Rabaul (Chs. 18–20) and Goroka (Chs. 21–24). But first it will be useful to consider the ideological change represented by the early post-war adoption of the idea of 'economic development' in the Western capitalist world, and its application in what came to be known as 'under-developed' or 'developing' countries, PNG among them. As in other territories affected by the conflict, an incoming Australian administration was obliged to face severe problems of reconstruction and rehabilitation in preparation for the task of development, while the economy and society of the territory to be 'developed' were, in important respects, in the condition described by Charles Rowley (Ch. 12) as obsolescent.

PART C

**INFORMALITY IN THE
ERA OF ECONOMIC
DEVELOPMENT**

CHAPTER 14

Economic development: Ideology and apologetics

A CHANGED WORLD ORDER made restoring the old colonial regimes impossible after the Pacific War. In the southwest Pacific Japanese invasions of New Guinea and Papua had terminated their civil governments and precipitated a unified Australian military administration. This paved the way for a combined political entity to emerge. Since the former German part remained subject to international scrutiny under a League of Nations mandate this would entail greater external attention focused on the whole. These events occurred in the context of broader change, during what Keith Hart called ‘the post-war era of social democracy, Stalinism and developmental states’. It was the period when ‘European empires were dismantled ... a new world order was inaugurated ... implementing the accords of Bretton Woods; the United Nations was formed and “development”—a post-colonial compact between rich and poor nations—was the order of the day’ (Hart 2014). Guided by this ideology of ‘economic development’, a term ‘rarely used before the 1940s’ (Meier 1984), a new orthodoxy in the conduct of international economic policy was asserted.

The emerging discipline of development economics was ‘at once among the oldest and newest branches of economics’ (ibid.). Originating in the eighteenth century with Adam Smith’s *Wealth of Nations*, this agenda had suffered a long eclipse from the second half of the nineteenth century, during which the neoclassical ‘marginalist revolution’ caused attention to turn primarily to issues of allocation. In the post-war period, however, ‘development’ acquired a new cogency for capitalist societies. This was certainly the case in Australia, where a social democratic government influenced by wartime events in PNG and the heady experience of participating in the creation of the UN system, ‘signed on’ very early to the development ideology.

The implications of this new dispensation and its discontinuity with earlier experience were suggested by WEH Stanner. In its previous colonial history PNG had been merely ‘commercialised, rather than developed’, for ‘the colonial use of public capital, as a social and economic investment on any scale, is a very recent device. In the past private risk-capital ... necessarily picked out the eyes of the best economic resources ... [while] within a few miles of the urban centres and the main production areas, the economic landscape is still often wholly primitive’ (Stanner 1953, 386). When commercialisation was replaced by aspirations for development this had implications for a broader indigenous participation in the monetised economy, as well signalling a greater role for government in economic affairs.

The Japanese advance on Port Moresby had drawn Australian eyes to the region. The anthropologist and scholar of colonial administration Lucy Mair remarked that ‘the attention which was attracted ... prompted more constructive thinking on native development than had ever been given to it in Australia before’ (Mair 1948, 17). A Directorate of Research and Civil Affairs (DORCA) operating within the military contributed to this ferment. Reporting directly to Blamey, Australian Commander-in-

Chief, and through him to EJ (Eddie) Ward, Minister for External Territories, DORCA studied issues including the impact of the war on native communities, native education and agricultural potential. It produced a body of thought with implications for a peacetime development agenda. Most immediately influential was a 'Report on Native Labour' by Ian Hogbin (Pybus 1999, 277, n5) who had been appalled by the wartime military administration's inhumane treatment of indentured (effectively, conscript) indigenous labourers (ibid., 48).

DORCA was led by Alf Conlon. Albeit no Marxist, Conlon has been likened by Cassandra Pybus to the Italian Marxist theoretician, Antonio Gramsci; both shared 'a belief that the ideas that shape society come from a fairly small elite united by shared intellectual premises' (ibid., 21–23). Blamey saw a use for Conlon's ideas to advance his own belief in 'an historic and politically sensitive role' for Australia in its region. Under Blamey's patronage Conlon recruited intellectuals including Stanner, Hogbin and the poet James McAuley to prepare the ground for a 'radical and expanded postwar colonial policy' (ibid., 36–39). Pybus described Eddie Ward as 'completely seduced by Conlon's vision of a "New Deal" for New Guinea' (ibid., 46). '[A] pugnacious, old-style labour man ... for whom colonialism was an anathema', Ward found his portfolio 'an embarrassment' and was 'uneasy with the system of forced labour' which had sustained both pre-war plantations and wartime administration (ibid., 53–54). Ward appears to have allowed Conlon and Hogbin considerable latitude in framing post-war policy for the newly combined territories, perhaps especially in the area of labour.

Australian colonial policy, it has been argued, aimed to 'lay the foundations of capitalism in Melanesia', while labour policy had 'a particular role to play ... in creating the workforce needed to fructify foreign capital and in controlling it in the interests of that capital' (Hess 1983, 51). Such a position imputes remarkable

foresight and unwavering intent to the colonial power, whereas I tend to suspect that cock-up affects outcomes more frequently than conspiracy. I agree with John Ballard (1981a, 1) that ‘only those who allow of no autonomy of the state see policy-making as a totally dependent variable and outcomes as determined by social structure’. Readers must decide whether my *apologia* here places this narrative in the category of colonial historicism criticised by Peter Fitzpatrick as exhibiting ‘great sympathy with the state ... and a willingness ... to accept its prescription of the tasks to be done and to view the manifestly malign effects of state action as unintentional’ (Fitzpatrick 1980, vii).

I tend to be sceptical of grand narratives and ineluctable forces, whether rooted in Marxian notions of ‘the authority of capital’ (MacWilliam 2013) or in that fundamentalism of the market which demands of its followers ‘a crude and naïve trust in the goodness of those wielding economic power and in the sacralised workings of the prevailing economic system’ (Bergoglio 2013). This narrative proceeds instead on a social democratic premise—the importance of an active and creative public sector in a market economy subject to democratic oversight. It is informed by my continuing adherence (by no means uncritical) to the idea of economic development as it has been elaborated since World War II. Such enthusiasms may set the writer at odds with the Marxist critic who, after condemning ‘capitalist development’ studies as ahistorical, targets the apologists for economic development. These have ‘aligned themselves with the intervening influences that would, in the name of development, advance these backward people and help in the creation of and sustaining of an emergent, fragile, “new nation”’ (Fitzpatrick 1980, vii). One can only respond that we are confronted by irreconcilable systems. In *Gifts and Commodities*, Chris Gregory wrote of a paradigmatic gulf between arguments from orthodox economics and Marxian political economy. We face a choice between alternatives which employ ‘different concepts and

use different methods of analysis', leading him to conclude that 'there is ... no common ground on which the two approaches may be compared and evaluated' (Gregory 1982, 102). I must be content to state my values and confine my argument to issues of logic and veracity, as well as appealing to that common sense expressed by the maxim 'never attribute to malice that which is adequately explained by stupidity'.

CHAPTER 15

Obsolescence and the preconditions for urbanism

IN THE LAST YEAR OF WORLD WAR II the Labor government ‘acted on the advice of Ward’s advisers in DORCA’ to make a series of policy announcements. An early initiative was sweeping reform of labour legislation (Downs 1980, 13–14). Ward imposed a timetable for abolishing indentured labour and the immediate repatriation, at the end of hostilities, of all men employed by the army and plantations. Courtesy of Hiroshima, peace came earlier than expected, magnifying the ensuing disruption. Aside from the Minister’s abhorrence of colonialism, his motives for abolishing the old system included a tactical consideration—the hope that labour reform ‘would encourage UN approval of the administrative union of Papua and New Guinea’ (ibid., 13). Peremptory repatriation of workers proved counterproductive in terms of other objectives, including restoring plantations and rebuilding infrastructure. It ‘was in conflict with every other activity *except village welfare*’ (ibid., 38, emphasis added). Detailed attention to be given below to post-war labour policy and legislation reflects their importance in shaping PNG’s modern formal workforce. By simple opposition, reform

would also define *informal* employment, as well as influencing the experience of urbanism during the late colonial period.

Regarding post-war conditions in PNG, Stanner described the destruction of colonial assets and infrastructure. There had occurred a degree of 'ruination' such that 'even by 1949 no substantial reconstruction had been made except on the plantations and goldfields' (Stanner 1953, 86–87). Village society had also suffered grievously; among the reasons for delay in overall reconstruction was the priority given to 'emergency measures to feed, medicate and repatriate the displaced and distressed natives' (ibid., 112). That immediate task was substantially completed by mid-1946, although payment of villagers' claims for outstanding wages and compensation (seen as 'a major factor in pacifying a restive population and in rewinning their confidence') took longer (ibid., 119). These early actions were more a matter of welfare and rehabilitation than of 'development' but they were a necessary foundation for it.

After some years during which a provisional administration devoted itself largely to short-term rehabilitation, Australian legislation (the *Papua and New Guinea Act* 1949) transferred both territories to a formal administrative union. Port Moresby was declared its capital over the claims of other centres, for reasons (aside from inertia) including its comparatively intact status and strategic value. Most important was a political consideration: Papua remained a Crown possession while New Guinea was still a Trusteeship, held under UN mandate (Oram 1976a, 92). While towns in New Guinea might have stronger claims, Australia preferred to invest in the former Papuan capital so long as the future of the Mandated Territory remained an open question.

With its centrality to the administrative apparatus confirmed and increasing public resources available to pursue development, Port Moresby would come to house the major institutions of the emerging State. It would provide administrative, legal and other services for

the whole country, host the head offices of many companies and house a large proportion of a burgeoning public service. By 1971, reflecting its national status and functions, the town's population would be three times greater than it might otherwise have been if based simply on the size of the regional population it served directly (Jackson 1976, 4). Despite the unpromising character of its hinterland, and by reason of political calculation and bureaucratic *fiat*, Port Moresby would come into its *own* luck.

Development and the paramountcy of native interests

With the defeat of Japan imminent, the Australian Government made clear it had no intention of returning PNG to the *status quo ante bellum*, although policy would continue to be inspired by the notion of 'paramountcy of native interests' (Ch. 10). After establishing a provisional administration it announced guiding principles. Combining the primacy of indigenous interests with long-standing concerns for the integrity of village life, these were based on a policy of 'dual development' articulated by Eddie Ward. This concept, as with the upheaval in labour policy, appears likely to have had its genesis in Conlon's group:

'The prevention of the disintegration of the social structure and welfare of natives is of paramount importance; the basis of the economy of the territories is to be development by non-native and native industry proceeding side by side and the limits of non-native development are to be conditioned by considerations of native welfare and development' (Ward, cited in Stanner 1953, 131).

Under the conservative government which succeeded Labor in 1949 Paul Hasluck, Minister for External Territories from 1951 to 1963, more commonly framed policy in terms of Australia's

duty of ‘trusteeship’ or ‘guardianship’. JD Legge described the conservatives as more favourable than the Australian Labor Party to private enterprise and, although equally committed to native welfare, less inclined to see this as the subject of indefinite subsidy. Dual development had been ‘a vague aspiration’ and ‘differences of emphasis in the general policy statements of Labor and Liberal Ministers were of little practical significance’. If Ward’s pronouncements had been ‘evocative’, the new government’s approach was ‘more empirical’ (Legge 1956, 197–198). Scott MacWilliam saw a more purposeful side to Hasluck, whom he described as seeing guardianship as ‘critical to secure village life dominated by smallholder households against threats posed by the emerging class of indigenous capitalists’ (MacWilliam 2013, 6). ‘We are not labouring ... simply to hand over their destinies to a few “smart boys” and “shrewd heads” from Moresby and Rabaul’ (Hasluck, in 1955, cited in MacWilliam, *ibid.*, 95). From Hasluck’s period and essentially until Independence, the bureaucratic norms and processes of colonial administration would continue to be shaped by the rhetorical orthodoxy of economic development—which also became implanted in the indigenous imagination over time. And though the term ‘paramountcy of native interests’ dropped out of official usage the sentiments underlying it remained influential.

By Stanner’s account (1953, 122), dual development seemed to involve nurturing ‘a widespread system of peasant production in parallel with or as an alternative to plantation production’. MacWilliam (2013, 78) has described the progression of this idea towards support for peasant production under a rubric of ‘uniform development’, intended to achieve ‘increased production and consumption by indigenous households attached to rural smallholdings’. Dual development meant that technical divisions of the Agriculture Department supported expatriate plantations while its extension division handled indigenous smallholders (though in

practice an 'extension bias' towards more wealthy smallholders often operated to reinforce rural inequalities; McKillop 1981a, 240).

In retrospect, Stanner thought Labor had lost an opportunity during reconstruction by failing to resume a policy conversation of the late 1930s, concerning the longer-term viability of the plantation sector. This related to what Rowley called economic obsolescence and Stanner's view supports the assertion made above (Ch. 12) that obsolescence was already recognisable by the time of Hubert Murray's death. Stanner commented that a thorough industry review (including debt levels, ownership, productivity and costs) should have been done soon after the war, because plantations were 'a form of tropical economy that, on experience elsewhere, may now have only a limited lease of life' (Stanner 1953, 120). This failure may have reflected what Ian Downs described as 'an attitude of resignation to the fact of indigenous incapacity and the need for the skills and investment of private enterprise in the immediate post-war period'. Such defeatism 'existed side-by-side with failure to recognise that the problems of the past would become more acute if they were not tackled as soon as possible after the war'. In the event, while government was preoccupied with more immediate problems white planters were permitted to return to their pre-war holdings. 'A general return of former residents and planters led to a general return of the pre-war economic system ... expatriate domination of the economy was an inevitable result' (Downs 1980, 42). After this, indigenous agriculture would require considerable government support if either 'dual' or 'uniform' development were to be achieved.

The Gordian knot of labour market reform

Colonial labour policies determined the character of formal employment and thus the environment for informal employment. For this reason it is necessary to consider how a post-war formal

workforce framework was set in place. Eddie Ward had declared Labor's intention to increase the resources available for colonial administration; no longer would outlays be constrained by local capacity to raise revenue. 'There would be a break with the past, when not enough had been done, and a future of "better health, better education, more participation in the wealth of their country and eventually a say in its government" for the indigenous population' (cited in MacWilliam 2013, 37). However Ted Wolfers commented that within this rhetorical framework, 'Labor's most detailed and precise reforms were concentrated in the field of labour and employment, the party's main traditional area of interest'. Indeed they 'bore all the marks of being no more than extensions of traditional Labor foci of domestic political interest into Australia's dependencies', and were also 'relatively easy to implement' (Wolfers 1975, 119–120). This insight may help explain Ward's acceptance of the Conlon/Hogbin 'line' (Ch. 14), though as a politician schooled in the Labor industrial wing he understood instinctively that obsolescence was an ill rooted in the archaic and inefficient management of labour. DORCA's early attention to labour issues had implicitly recognised the reality of obsolescence, as later articulated by Charles Rowley at the Australian School of Pacific Administration (ASOPA). The School, to which a number of DORCA staff had been appointed, was another part of Conlon's post-war legacy.

Aside from repatriating labour and abolishing indenture (the latter completed only in 1950, under a newly elected conservative government) Ward announced changed conditions of employment. These were to include 'elimination of professional recruiters ... restrictions on employment of people away from their tribal areas, an increase in the minimum wage and reduction of weekly working hours to forty-four'. Dual development was reflected in Ward's statement that 'the people would be encouraged to become self-employed farmers wherever this was possible' (Downs 1980, 14),

though as Downs noted, ‘until 1950 annual reports for both Papua and New Guinea showed “employment” as being the main avenue for “native economic development”’ (ibid., 31). In any case, a Department of Native Labour was created and a lengthy process of regulatory and societal adjustment commenced, with the ultimate objective of creating what Charles Rowley (1958a, 540) called ‘a wage earning class ... an effective, stable, labour force, its members established with their families adjacent to the places of work’.

This vision would not be realised quickly. While Rowley was still lamenting employers’ dependence on migrant labour, including rural plantation labour, his comment bore also on the inter-relationships between labour productivity, wage determination and retarded urbanism. Rural and urban labour supply were linked insofar as the plantation wage was the benchmark for the urban unskilled wage. Plantations’ dependence on labour recruited and paid on a ‘single man’ basis, with negative implications for labour turnover and productivity in the rural sector, had its counterpart in the embryonic urban labour market. Both urban and rural employers were sustained by lower wage rates made possible by what Cyril Belshaw described as a ‘subsidy’ from the rural dependents of absent labourers (Ch. 10). Achieving a committed urban ‘wage earning class’ would require authorities to unravel a Gordian knot, woven (in Rowley’s brutal formulation) from the strands of ‘dependence upon unsophisticated primitives, a primitive standard of labour efficiency ... and poor management’ (Rowley 1958a, 540–541). The challenge was to break out of a debilitating cycle of low-wage, low-productivity industrial organisation and to manage this while minimising the costs of what was coming to be known as ‘urban drift’, leading to open unemployment in the towns. This would be difficult in a volatile post-war environment, where any controls over urban residence were increasingly subject to domestic and international political challenge (as well as inconsistent with efforts to reform labour markets).

The years 1945–47 were a time of acute labour shortage, as significant changes occurred in modes of formal employment available to indigenous people. Opportunities for indenture still existed for a time but repatriated workers, many of them flush with compensation money, were reluctant to re-engage. Even by 1949 the number of indentured workers was only a third of the 1941 total (Stanner 1953, 137ff). The *Native Labour Ordinance* 1946 made provision for employment of non-indentured labour and the administration signalled the significance it attached to this by labelling such workers as ‘employees’. This was done to distinguish them from ‘labourers’, the official term for indentured workers (Smith 1975, 51). Non-indentured labour was a form of casual employment, albeit still highly regulated, and contracts could be terminated by either party at will. The ordinance was said by Hess (1983, 57) to have been ‘the first legislative attempt to recognise the existence of free workers’. Suggesting the culture shock involved in accepting ‘free’ employment, Stanner (1953, 136) reported that initially many labourers ‘were suspicious [and] ... unwilling to take risks’. Nonetheless take-up grew rapidly and by mid-1950, when employment had almost regained its pre-war peak, about half of all private sector workers were ‘employees’. This gave authorities confidence for the abolition of indenture at the end of the year.

The 1946 ordinance has been attributed to a post-war ‘revolution in thought’ (Smith 1975, 46). In terms of the new ‘development’ ideology it was a step towards acculturating workers to competitive labour markets. While many feared free engagement, others embraced the novel experience of exercising some market power. Stanner reported that labour shortage drove up private sector casual wages around Rabaul, where Chinese plantation owners competed for workers with Europeans (who might otherwise have maintained employer solidarity). This was another instance of the historical Chinese role in acculturating indigenous people to

market forces. Presenting authorities with unprecedented problems, there was also agitation for racial wage equality. In Lae:

‘Some native workers ... soon embarrassed Government by demanding conditions comparable with those given to Europeans and Asiatics. Wage rates for native clerical workers and artisans were generally scaled up towards European wages, but by purely arbitrary estimates rather than adding increments for skill to an unskilled base-rate. With each Government department paying its own rates the result was that margins soon varied widely without any clear reason’ (Stanner, 1953, 136).

By mid-1950 the administration, employing 28 per cent of the formal workforce, was competing with the private sector for labour and paying generally higher wages. Government employment had increased substantially, with much unskilled labour engaged in stevedoring, road construction, maintenance and minor reconstruction tasks, although some 20 per cent of indigenous employment was classed as skilled or semi-skilled. The administration employed proportionally more such workers than the private sector, particularly in Papua where government spending increased rapidly in Port Moresby (*ibid.*). Together with the declining importance of indenture this appeared a promising start towards a more modern and diversified workforce, with a wage structure more conducive to labour productivity. Momentum was not sustained, however, with a crisis by the end of the 1950s as official attention continued to focus on the needs of rural industry while the case for a committed urban workforce was neglected.

Some high-level ambivalence about the changing nature of employment contracts may have contributed to this. In 1952 Hasluck had expressed concern about ‘the growing number of natives who are being divorced from village life’ due to casualisation of the workforce (cited in MacWilliam 2013, 96). Writing to Hasluck,

HC Coombs was inclined to agree. He had seen the beginnings of a 'proletariat' in Port Moresby, among which 'difficult and anti-social influences could grow', although he also advised Hasluck that 'an increasing native population close to major townships and "capitalist" enterprises is necessary for their development' (ibid.). Hasluck understood the need for labour force evolution to meet the needs of development. He wrote in 1953, that:

'The legislation of today has to fit a situation in which the economy is becoming diversified, when "town" labour is as much in demand as "plantation" labour ... when more natives are engaged in money-making activities on their own account [and] when natives are acquiring some skills ...' (Hasluck 1976, 159).

It would take time for official reservations about urban growth to be overcome and the need for Rowley's objective, 'an effective, stable, labour force', to be accepted. Much later Hasluck expressed some regret. 'I doubt whether we started to prepare early enough for the urban ... wage-earning class of the future or to shape the situation in which the urban proletariat would emerge' (ibid., 335). A new system of 'Native employees' agreements' had replaced contracts of indenture in 1951. These offered improved service conditions although some employer control was maintained by part-retention of wages and impediments to group action. This latter circumstance encouraged observers such as Hess (1983) to question the 'real' motive of policy, but it may simply be that authorities, managing a gradual transformation of labour relations in a difficult and unpredictable environment, preferred to adopt an incremental approach. A vocal white industry lobby was apprehensive of the costs of change and progress in labour reform was correspondingly slow and fitful. This situation was most evident in urban areas where, although casual contracts of employment had become the norm by the late 1950s, official attention remained focused on plantation labour issues. After a labour code update in 1958:

‘the situation arose in which labour officers stationed in Port Moresby were entrusted with the oversight of a set of legal provisions designed for plantations, while all around them there were only casuals ... *the firstlings of a proletariat* ... Such provisions as the 1958 Ordinance did make for noncontract workers tended to be a hindrance to full-time employment in the towns’ (Hess 1983, 60, emphasis added).

Whatever momentum for change was created by the 1946 reforms had not been sustained. Urban remuneration was still set by reference to the low-wage plantation economy and (as on plantations) men were assumed to have no family responsibilities. As a result, ‘in a situation made more open by the freer play of market forces’, the terms and conditions of service specified in regulations were ignored by some employers anxious to get the type of labour they needed. Uncertainty ‘inhibited urban labour recruitment, especially if administrative regulations were closely enforced. Not only was the Administration failing to attract enough [urban] workers for long enough, it was seen by colonial business community spokesmen ... to be actively discouraging the sort of labour force they needed’ (*ibid.*, 60–61). Efficiency and stability in wage employment were essential for modern urban life, while wage equity was necessary for efficiency. A ‘family wage’ must be paid to achieve these ends, posing a ‘basic dilemma’ for employers whose managerial skills were more suited to manhandling a low-wage workforce with high levels of labour turnover than to achieving productivity growth through encouraging worker commitment and skill acquisition (Rowley 1965, 199).

The organisation of industrial labour

During the 1950s Charles Rowley had argued for a permanent formal sector workforce. This would require legislation to ‘establish a code of rights and duties in the labour situation, recognised by

workers and employers'. A corollary of this was the need for workers to organise themselves (Rowley 1958a, 540). His view was that official preoccupation with maintaining village society had resulted in an inability to perceive dysfunctional consequences occurring at workplaces. In the towns, sources of discontent included 'labour relations, wages, delinquency, protective legislation which has become discriminatory (such as that concerned with use of alcohol) social services, health, housing, education and the like'. It was increasingly difficult for government to manage the problems of social obsolescence in urban areas by 'the simple expedient of expelling the floating native population, by use of vagrancy laws or some similar expedient' (Rowley 1960, 5).

In 1953 an officially commissioned report on economic policy noted the growing numbers of permanent urban residents and thought it 'a remarkable fact that there is practically no political activity as yet of a quasi-revolutionary nature among such groups, and there is not even a trade union movement' (Spate et al. 1953, 19.2). Discussing the possibility of an 'emergent working class', Rowley (in a comment which may have implied government's deliberate intent) suggested that 'agreement' contracts introduced in 1951 may 'have operated to delay the sense of cohesion among wage earners' (1958a, 541). The correspondence between Coombs and Hasluck (above) suggested the latter might have welcomed such an outcome. Despite this, there had been some instances of 'group action' against employers in the 1950s. Hess believed strikes occurred more frequently than was acknowledged; they were 'disguised' in a contract system of labour where 'strikers were dealt with as individual contract breakers' (Hess 1983, 66).

Bernard Schaffer, a visiting British political scientist, commented on early instances of worker organisation, occurring in response to the establishment of a Native Employment Board in 1958. He hinted at emergent class consciousness, though avoiding the term itself: 'the conjunction of political development with

... labour organisation could produce some quite rapid *changes in identifications*' (Schaffer 1963, 8–9, emphasis added). Rowley took strikes as evidence of the beginnings of collective action by workers. He had urged authorities not to 'deny, or seem to deny, rights of free association' for 'the law has to provide a framework within which workers may legally organise'. It was no longer appropriate to manage worker dissatisfaction under an outmoded labour code ('basically identical with similar codes of five or six decades back') treating disputes as master-servant issues (Rowley 1958a, 544).

Then, quite quickly, a policy turnaround occurred. Ross Martin described how 'up to 1960 the Australian Government's official view was that union organisation was neither necessary nor desired by Papuans and New Guineans themselves'. But after some indigenous industrial action this position was abandoned 'when it was shown to be false' (Martin 1969, 153). Legislation in 1962 set up machinery for industrial relations and for the regulation of industrial organisations, including trade unions. Wage determinations would be made by periodic Boards of Inquiry. For the rest of that decade, in Port Moresby and elsewhere, incremental improvements were made to earnings levels and wage structures. By 1963 provision had been made for payment of a full urban cash wage. While still calculated as a 'single man' wage, it represented progress in replacing a resented system of deductions for accommodation and supplies.

Even earlier, in 1960, failure to distinguish between rural and urban pay and conditions was corrected when a system of urban employment awards was instituted. This was followed by awards for semi-skilled workers, introduced to reward higher productivity. By 1966 almost half the capital's indigenous workforce was employed at rates above the minimum unskilled wage. Awards in Rabaul in 1967 and 1969 set a pattern for the whole country, with 'a more complex wage structure' recognising grades of skill and length of service. Reflecting market forces, 'above-award' payments

were being earned by many skilled workers, ‘higher clerical and supervisory workers, technicians and tradesmen’ (Langmore 1970a, 32–36). Meanwhile a *de facto* family wage had been struck for lower-paid administration employees, with a ‘family needs allowance’ paid to semi-skilled married officers, bringing their earnings closer to skilled levels (in a situation where skill differentials were relatively high). Because of the market-leader status of government this put pressure on the private sector to respond. The totality of these changes brought PNG closer to an ‘industrial relations framework designed to serve an emerging urban wage labour force’ (Smith 1975, 49). In the absence of any significant indigenous self-employment, these changes served to define urban livelihoods even more definitively in terms of *formal* regulated employment.

John Langmore was not sanguine, however, because a ‘currently insoluble tension’ remained. Restating the dilemma described above as a ‘Gordian knot’, he noted that urban wages were still low ‘and should be increased only slowly, and yet many workers should be encouraged to settle in the towns to provide a core of committed workers with high productivity’ (Langmore 1970a, 18). The difficulty was that while PNG wages (paid in Australian currency) were high in nominal terms by comparison with those of international competitors, their local purchasing power was low. The ‘consumption basket’ of urban families included a large proportion of imported commodities from high-cost sources (notably Australia) and was comparatively expensive, especially in Port Moresby where local foods were scarce.

In the new era not all actors would be prepared to accept Langmore’s implication of a need for patience, since recognition of unions implied the right to strike. Fitzpatrick documented legal obstacles to industrial action, short of actual prohibition, after the 1962 legislation. He represented Hasluck as anxious to avoid political organisation based narrowly on employment issues—with the potential for confrontation between indigenous labour and

indigenous capital in ‘the self-governing state of the future’ (cited in Fitzpatrick 1980, 154). But whereas Fitzpatrick saw this as political repression, the Minister might instead be understood as managing the transition to a more modern workforce while avoiding the political legacy of an industrial system crippled by institutionalised polarities: ‘the base and the form of political organisation are matters for the people themselves to determine in due course’ (Hasluck 1976, 235). In the event, reform did not altogether prevent strikes, as seen in Alan Rew’s account (1970, 302ff) of industrial disputes in the town in 1965. Rew concluded these strikes were not primarily about industrial relations issues; striker grievances were not so much systematic as a protest against ‘day-to-day indignities flowing from their status as “boys” in a racially-divided town’ (ibid., 311). And again: ‘Although, superficially, the grievances expressed by the workers might appear trivial industrial matters, they were, in fact, tied to their appraisal of the racial structure of the town’ (ibid., 314).

The platform of Pangu, the political party founded in 1967 which later took PNG into Independence, was not (despite the identification of several Pangu leaders with trade unions) centred on pay issues. Still less was it based on demands for ‘freedom’, since such rhetoric did not reflect the prosaic reality of late-colonial PNG. Pangu was concerned with broader issues of dignity, autonomy and distributive justice, such as underlay strikes documented by Rew. Fitzpatrick’s invocation of popular demands for freedom in ‘a repressive colonial situation’ was overwrought. Pangu’s concerns centred instead on Hasluck’s ‘broader questions’, including the search for alternatives to an increasingly-inequitable pattern of development in the late colonial period. The narrative will return to this subject when discussing the Faber Report of 1972 (Ch. 25). Suffice to say here that many in Pangu thought the Report (and Keith Hart, its co-author) offered exciting new policy alternatives.

For an explanation of Hasluck's about-face between 1960 and 1962 one might look to external influences, including Harold Macmillan's 'wind of change' speech in 1960 and the 'sooner, not later' epiphany experienced by Australian Prime Minister Robert Menzies that same year. As the last territory of consequence subject to UN Trusteeship Council oversight, New Guinea caused Australia to come under increasing pressure in international forums, while internally there was a gathering sense of unease. In 1958 Rowley had spoken of 'a perpetual condition of labour crisis'. Development should have been occurring based on industry, manned by 'a permanent pool of wage-earners, established with their families in dependence on wages, and on health, education, pension schemes, and other social services' (1958a, 543) but there was little sign of progress towards these goals.

Murray Groves recounted a meeting between Hasluck and some younger educated Papuans in Port Moresby, at which he 'for the first time discovered the urban elite which has in fact been there for some years'. Hasluck gained some insight into their discontents (Groves 1960, 8). Perhaps this was among straws in the wind suggesting to him the need for a change of direction, away from the anti-elitism of 'uniform development'. Although he would not be in office to receive it, it was Hasluck who commissioned the World Bank report (IBRD 1965) which articulated a fresh approach. A 'big push' strategy,¹³ this policy would come to be known in PNG as *accelerated development*, to distinguish it from the earlier 'dual' and 'uniform' development rhetorics. Peter Fitzpatrick regarded Hasluck's labour reforms of 1962–63 as 'quite explicitly' anticipating this policy turn, intended to provide 'some order and discipline where this

¹³ The notion of a 'big push' originated in wartime planning for reconstruction in Southeastern and Eastern Europe. It stemmed from a paper by Paul Rosenstein-Rodan (1943) who was at the World Bank in the 1950s. This paper was among the earliest contributions to the literature on 'modern' economic development.

was needed for the efficient operation of the new economy' (Fitzpatrick 1980, 155).

Whatever about the need for a protective legislative framework for those 'unsophisticated primitives' who continued to accept agreement work on plantations, qualitatively different modes of regulation were needed for a permanent *urban* workforce. During the 1960s and early 1970s, in the context of 'accelerated development', successive iterations of the Labour Code groped towards that goal. CE Barnes, Hasluck's successor, commissioned the Australian economist JE Isaac to report on the structure of unskilled wages, including:

'the proper balance of the wage structure especially between rural and non-rural employment' which 'would ensure adequate supply of labour to the rural industries as well as the urban; avoid an undue drift to urban areas in excess of employment opportunities offering there and to ensure attractive employment opportunities in all fields (including at the managerial level) to the native people' (Isaac 1970).

This language reflected the influence of the economists W Arthur Lewis and Michael Todaro among policymakers perturbed by burgeoning urban populations and apparently ruinous rates of open unemployment in developing countries. Lewis's *Economic Development with Unlimited Supplies of Labour* (1954) considered how the transition from (rural) agriculture to (urban) industry might be managed. Agriculture sheds labour as rural productivity increases and urban areas absorb rural migrant labour as industrialisation proceeds. Todaro's model of rural-urban migration (which took the Lewis model as its starting point) directed attention to the gap between rural and urban wages (Todaro 1969). This was relevant to PNG insofar as Todaro pointed to the earnings gap as influencing rates of internal migration and the willingness of migrants to endure unemployment in towns while

searching for formal wage jobs (Conroy 1974a, 1976; Garnaut, Wright and Curtain 1977). Open urban unemployment was not yet serious in PNG, but as the old restrictions on urban residence became increasingly difficult to maintain, awareness of change brought such considerations into policy discussions. An additional factor was rapid growth in numbers of rural school-leavers, increasingly visible among migrants to Port Moresby. Growing numbers of educated youth supported improvements in workforce productivity but the rate of their increase appeared likely to create near-term problems of ‘educated unemployment’ (Conroy 1970; Garnaut et al. 1977; Stent and Conroy 1968).

The administration felt the need (expressed in Joe Isaac’s brief) to assure adequate labour supplies in both rural and urban sectors while avoiding dysfunctional flows of labour to the towns. Wages policy was assumed to be a necessary instrument for that purpose and for achieving what Rowley called (Ch. 12), ‘the basic requirements of a modern community’. The discussion will return to these issues below, in the context of rapid urbanisation in the years before Independence. In the meantime the narrative turns to the physical and social remaking of Port Moresby in the post-war period. For while ‘obsolescence’ in post-war PNG had both social and economic aspects, the discussion so far has focused largely on economic aspects of that malady. In what follows a distinction is made between formal and informal elements of the built environment of the capital. In the late colonial period a burgeoning informal urban fabric provided tangible evidence of popular resistance—pushback exerted against a regulatory framework designed to realise an alien ‘form’ of the town. While there was still little evidence of Hart’s informal economy in the livelihoods of indigenous urban dwellers, it was abundant in the means by which they housed themselves.

CHAPTER 16

Remaking Port Moresby: The formal town

JAPANESE BOMBING OF PORT MORESBY had forced the evacuation of native landholders, damaging both urban villages and the European town. Reflecting its importance to the war effort, Moresby became a command and marshalling centre and many Papuans, men and boys, were drafted as labourers. While imposing disruption and privation, the upheaval gave Papuans opportunity to observe the mobilisation of men and materiel required for war between industrial economies, and to interact with Australian and American troops. They seemed so unlike the pre-war colonial masters as to be thought a different race, while the comportment of black Americans and their mastery of technology were revelations.

Aside from this psychological influence there was another lasting consequence. This affected the physical character of Port Moresby as an urban centre, as authorities attempted to minimise the impact of bombing raids. A contemporary traveller whose plane circles above the capital might still relate to the revelation experienced by the geographer Bryant Allen:

‘The first time a wartime topographical map of [Port Moresby] came into my possession I was immediately struck by the way the wartime layout of airstrips, hospitals, headquarters and dumps, had significantly influenced the post war layout of the city. The wartime base and the post war city were almost identical in physical structure’ (Allen, pers. com. 2015).

When Nigel Oram, a former British Colonial Service officer, first came to Port Moresby in 1961 its population had grown from 4,000 in 1946 to some 29,000 people. Later, he reflected on how the ‘idea of a town’ could influence its character (Ch. 11). He wrote with enthusiasm of Ibadan, a West African city whose colonial character had been determined in pre-colonial times. It exhibited ‘magnificently vital and colourful disorder in which mud huts were intermingled with fine modern buildings; dusty roads and obvious lack of sanitation; and vigorous economic activity’. In East Africa, by contrast, the ordered British colonial towns had ‘sterile and lifeless indigenous sectors’ (Oram 1976a, xiv). Port Moresby conformed to the East African pattern. In terms still recognisable today, ‘town centres and richer suburbs in which standards of planning, building and services are comparable to those found in Western towns’ and other, poorer zones where one found either ‘overcrowded tenements within towns’ or ‘areas of uncontrolled and congested settlements, inadequately provided with services, on their fringes’ (ibid., ix; Figure 7). It was quite unlike Ibadan, where formal and informal manifestations of urbanism jostled side-by-side. The account of undistinguished urban place-making in Papua continues here for the period after the Pacific War, to suggest how Oram’s ‘sterile and lifeless’ East African form was realised in late-colonial Port Moresby.

Among the results of Eddie Ward’s cancellation of labour contracts (Ch. 15) was slow progress in urban rebuilding (Downs 1980, 39). Building materials were also scarce, since ‘the prospects of reconstruction were deeply embarrassed by the domestic policy of



Figure 7: Port Moresby in 1974; shading represents built-up areas (after Oram, 1976a)

full employment in Australia, which pre-empted nearly everything New Guinea needed except money' (Stanner 1953, 112). Nor were shortages of labour and materials the only constraint: 'Delay in town plans for the main centres restricted urban development' ... [and] the public correctly complained that there was no "master plan" for reconstruction' (Downs 1980, 39). Private rebuilding was 'held up owing to official inability to complete the basic survey requirements of town plans for Port Moresby'. Canberra had been slow to choose the site for a joint capital, 'and on this hinged many other reconstruction decisions' (Stanner 1953, 112). No master plan for the capital would appear for another quarter-century (Oram 1976a, 164).

Although it compromised reconstruction of the formal town, Ward had promised to rebuild Hanuabada, where people were living 'in ugly squalor in huts made from junk and salvaged materials' (Downs 1980, 41). Ward's pledge might be seen as evidencing Canberra's concern to re-establish village life, but equally it may have reflected local authorities' desire to sustain the pre-war idea of the town, with villagers tidily corralled in Hanuabada. Rebuilding the village was 'bitterly opposed by Europeans forced to live in makeshift houses' but to no avail (*ibid.*). In Lae, the absence of a town plan gave authorities license to revert to old habits, when they pegged out separate housing areas for European, Chinese, Papuan, mixed race and general indigenous labour (Wolfers 1975, 119). In Port Moresby rebuilding did not proceed in quite so formulaic a manner, though pre-war conventions remained influential. Distinctions (in which land tenure was decisive) were re-established between the European town and urban customary villages, with Badili as a place for 'foreign natives'. Nearby Koki was to become an industrial and commercial area, and to house the town's marketplace.

Old habits of thought also resurfaced in regard to movements by indigenous people. 'After 1945, government officials adopted the same policies towards migration to towns as they had followed

before 1942 ... [and] the majority of officials were opposed to any form of long-term settlement of migrant workers in towns'. Some policy dissonance occurred in 1947 when Canberra directed that 'Papuanians should be encouraged to seek employment in Port Moresby', even as the District Officer maintained that 'many [incomers] were parasites and he was afraid of the growth of shanty towns'. As late as 1955 a senior official warned against the dangers of 'detrribalisation and/or a trend towards the complete permanency of tenants' (Oram 1976a, 168). Given labour shortages the need for some migration was incontestable, although incomers unable to find work quickly were still liable to be expelled. For some years this mode of managing labour supply allowed Annual Reports to deny the existence of urban unemployment. Nor was there any significant class of workers employed *outside* the formal system, since even domestic servants' wages were set by the *Native Employment Ordinance*. Still less was there any group of self-employed, informal workers.

Old-school attitudes would be overcome as circumstances made town-ward migration virtually unstoppable, although their influence would linger on elsewhere. Much later Oram observed that 'attempts to regulate migration ... have had little effect, but the attitudes which give rise to these attempts have had a profound effect on policies relating to housing and settlement'. He lamented backward-looking policies; some other colonial territories had pursued 'an active policy of stabilising migrant workers as long-term town-dwellers' (*ibid.*, 170). This contrasted with active official disdain for urban settlements in Port Moresby, a negativity which handicapped, even sabotaged, efforts to harness the initiative of migrants to improve their 'shanty towns'.

From about 1954 some official efforts were made to house indigenous employees, still mostly quartered in the Badili barracks, by developing new suburbs. Primarily high-standard residential areas for expatriates and institutions, these initiatives spread inland

from the historic town, although another planned suburb, Hohola, was created in 1960 to provide formal housing for middle-income indigenous families. Nonetheless, until the 1960s ‘the development of the town ... followed a Western pattern and residential and commercial development was carried out predominantly by, and for, Europeans and a few other non-indigenous people’ (Oram 1976a, 96). The ‘magnificently vital and colourful disorder’ of Ibadan, in which an African informal economy flourished, could not have been replicated in Port Moresby. The very possibility was zoned away by planners.

After 1957 New Guinea Chinese became eligible for Australian citizenship and were allowed to move to Papua. Coming from Rabaul and other towns they inspired a retail revolution. Unlike the Gazelle, where Chinese traders and produce buyers continued to stimulate indigenous smallholder production, few entered rural trade. But in the capital they increased competition to the benefit of all by extending the range of consumer goods appealing to the indigenous market and establishing shopping locations convenient for local people. These were elements in a general social transformation, altering the town’s character and extending to the legal framework for urban residence:

‘After 1956, the territory’s discriminatory laws and “native administration” regulations were progressively liberalised. The 1956 United Nations Visiting Mission had been critical of the curfew laws, and other forms of discrimination, while the Australian government had become quite self-conscious as to how incongruous the authoritarian paternalism of the *kia*p [patrol officer] and the preservation of a racially divided society must have appeared at the height of the anti-colonial world’s push to independence’ (Wolfers 1975, 132).

A European resident dated the emergence of ‘modern Port Moresby’ from 1962, when alcohol prohibition was lifted. ‘Brown

drinkers at once took over the hotel bars for so long the exclusive domain of white men, and in a more subtle way Papuans and New Guineans ... occupied the whole town. For the first time it began to look and feel like a New Guinea town' (Stuart 1970, 163). Quite what 'a New Guinea town' might look like was unclear in the absence of any models, but it was certainly no Ibadan. While much regulation discouraging urban residence had been repealed, authorities could still use the *Vagrancy Ordinance* to send people home.

Government also began to deal more systematically with the housing of indigenous urbanites. Apart from Hohola, a formal or 'planned' suburb, a first attempt was made to provide 'site and services' blocks. Intended for lower-income people to erect 'self-help' housing, this was not very successful, 'because of red tape which was just too complex' (Surmon 1971, 121–123). More workable approaches would not be devised until soon before self-government. In 1967 a National Housing Commission (NHC) was established to deal with housing problems in rapidly growing towns, though in Port Moresby access to land was a continuing difficulty. While there was no shortage of suitable land traditional owners were increasingly loth to release it.

Just before Independence Oram could still say of Port Moresby that it was 'divided into two main sectors', planned and unplanned. The first was 'developed to Western standards of building and services. The inhabitants are still predominantly European although, with rapid localisation, an increasing number of Papuan public servants are also living in government houses ... [where] the sector is European in character' (Oram 1976a, 103). Another dimension of segregation was seen in the tendency for indigenous people of common tribal or regional origins to cluster together, whether in formal suburbs such as Hohola or in the informal settlements of Oram's second, unplanned, sector. NHC commenced 'intermingling' houses of different sizes and qualities in newer, formal suburbs as a means of producing less segregated housing

(Surmon and Ward 1973, 19) but the state could not satisfy more than a small part of the demand. Lower-paid workers were in any case unable to pay economic rents for even drastically scaled-down versions of regulation-compliant housing. As a consequence, ‘over one-third of the indigenous population live in the second sector, which is mainly situated on customary land’ (Oram 1976a, 103).

Unlike the promiscuous intermingling Oram had observed in Ibadan, ‘discrete residential and commercial areas are scattered within the town, interspersed by areas of undeveloped land’ (ibid., 100; see also Figure 7, p. 185). Such dispersion was Port Moresby’s most notable feature, puzzling because it did not ‘conform to any theory of spatial development’ (ibid.). The solution may lie in Bryant Allen’s observation, reported above, concerning the wartime layout of the town’s military facilities. He added that this ‘led to the expansiveness of the city, with large gaps of open land between the settled areas’ (done like that to minimise bombing damage—which also led to roads up all the valleys where camps were sheltered from air attack). In the post-war period these proved ‘ideal for the establishment of informal settlements’, while ‘the wartime roads into these places made it easier for the informal settlers to access them’ (Allen, email communication with the author, 2015).

As late as 1973 an ordinance required employers to provide housing for their workers, though it was little enforced. Other than in the Badili compounds for unaccompanied males, many ‘foreign natives’ found shelter in the second sector, either in urban villages or by squatting without security of tenure on government or customary land. Such informal settlements were often regarded by authorities as ‘out of sight, out of mind’. As late as 1970 Port Moresby ‘was still administered on an *ad hoc* basis through a variety of government departments and the growing migrant settlements have been nobody’s responsibility’, although ‘the administration at times tried to discourage settlement by cutting off water supplies and by refusing to supply sanitary and garbage services. But the

settlers were not discouraged' (Surmon and Ward 1973, 21–22). Wolfers' judgement of this situation was scathing. Government attempted:

'to discourage indigenous desires to come to town by making no provision for [them] ... and by vigorously insisting on ... Australian standards of living, housing construction and maintenance. The unintended consequence has been a proliferation of substandard fringe settlements just outside the legal boundaries of the towns, and a widespread feeling among Papua New Guineans that they are aliens in town' (Wolfers 1975, 49–50).

Though granting some failures, Oram (1976, 191) was more positive: 'These are settlements of "hope" not settlements of "despair"'. Port Moresby's problems had arisen 'because administrative institutions and policies have been adopted which reflect Western needs and goals, unrelated to the needs and aspirations' of the population. His experience suggested it was unrealistic 'to try to house and provide services for whole African populations of towns at the standards achieved by Europeans and prescribed by building regulations based on Western models' (*ibid.*, xiv). In Port Moresby the most serious policy errors occurred in urban settlements. The fault lay not in losing control of settlement growth but in failing to provide settlers with secure access to land and minimum acceptable services; 'a life of high quality is not necessarily dependent on standards of town planning, building and sanitation, desirable though such standards may be' (*ibid.*). Only in the 1970s was this insight accepted.

NHC began to upgrade settlements located on government land to assure secure tenure, basic services and orderly development, and some of these were close to completion on the eve of Independence. A related breakthrough occurred in 1973 when building regulations were relaxed to allow authorities discretion to declare 'no-covenant'

areas on government land (Jackson 1976, 76). These had ‘minimal water and garbage services, unsurfaced roads, and [were] subject to nominal annual land-rents and minimum building regulations’ (Wolfers 1975, 156). One of these, Morata, commenced with a thousand building plots and became a largely informal satellite town of Port Moresby, created almost entirely by low-income settlers. Problems of settlement on customary land, over which government had little control, remained however. In the absence of land markets and given the reluctance of traditional owners to permit alienation, absence of secure tenure constrained the will of both squatters and government to invest in improving settlements (PNG 1973).

Economic informality derives from inability or unwillingness of people to conform with bureaucratic norms defining ‘appropriate’ economic behaviour. Such informality was as yet little evident in the *livelihoods* practised in the capital (Conroy 1973, 1974a; ODG 1973) but it was rampant among people providing their own shelter. The contradictions of a late-colonial ‘idea of the town’ which required a growing and increasingly skilled workforce, while either excluding such people from land and housing or making inadequate provision, forced migrants to adopt unorthodox (‘informal’) means of securing shelter. They were willing to make substantial investments, in money and labour, to create assets which would in time become tradable in informal property and rental markets. Whereas in the interwar period Papuans had largely accepted the ‘Anglo-Papuan’ idea of the town, radically different circumstances after the war produced irresistible modes of pushback among them. Aberrant, *informal* behaviour, which included unstoppable rural-urban migration, ‘squattling’ on unoccupied land and the construction of non-compliant housing, extended and transformed the town.

In its PNG manifestation, the post-war orthodoxy of economic development reflected assumptions underlying Australia’s own version of heavily regulated market capitalism, including the need

for centralised wage determination and stringent town planning. Development would be achieved through familiar institutions operating on rational-legal bureaucratic principles, described by Oram as ‘the Procrustean policy of developing Port Moresby according to an Australian model’ (Oram 1976a, 245). Informality would have to emerge if people unable to find formal wage employment, or to secure shelter in planned urban areas, were to satisfy basic human needs. That Hart found so little evidence of informal livelihoods when he visited Port Moresby in 1972 showed how long it was taking to shake off the retarded urbanism entrenched by earlier administrations. How this was manifested in the changing traditional villages and burgeoning informal settlements of Port Moresby is considered next.

CHAPTER 17

An informal town: Villages and settlements

ASIDE FROM THE WARTIME DISPOSITION of military facilities (Ch. 16) traditional land tenure arrangements in and around the capital have also influenced the urban form of Port Moresby—and will continue to do so. Hanuabada and other villages of the Western Motu (notably Vabukori and Pari) together with villages of the agricultural Koita people (including Baruni and Kila Kila as well as elements within Hanuabada) constituted the major ‘urban villages’ (see Figure 7, p. 185). These housed traditional landowners and were distinct from informal settlements established by incomers. In a broader sense the informal town also included the traditional villages, where housing was also being transformed in ways described in this account as informal.

From before the establishment of the Protectorate some land was acquired directly from traditional owners by private European interests, missionary and commercial, after which the colonial government assumed sole authority for alienating land. While compulsory acquisition occurred for public purposes, alienation of land for economic reasons (essentially for private interests)

required landowner consent, given with increasing reluctance as Independence approached. Much land acquired by government was allocated subsequently for town expansion, particularly after the Pacific War as new suburbs were established. In the meantime many incomers established informal settlements by ‘squatting’—occupying and building on traditional or government land. This survey commences by considering Port Moresby’s largest and most emblematic traditional village.

Hanuabada

Located on the fringe of the European town and with access to Mission schools the village cluster known as Hanuabada experienced more sustained social change than any other Papuan community. Returning from wartime exile in 1945, Hanuabadans awaited the reconstruction of their homes, afterwards continuing to improve and extend them. Cyril Belshaw studied the village in 1951–52, recording that householders were busily adding kitchens, interior walls, wash-places and lavatories, using materials such as scrap iron, timber and ‘variegated’ paints. Permanent building materials were expensive and traditional materials difficult to obtain, given Hanuabadan men were now fully committed to wage labour (Belshaw 1957, 97ff). He did not record how home improvements were done or mention any commercial dealings. By implication, the work was done incrementally by householders, assisted by friends and affines among tradesmen in the village (*ibid.*, 66, table 5). Quasi-traditional communal or cooperative activity was responsible for much of the built form of Hanuabada (and by extension, the modern informal town). This process will be examined later to understand the boundaries between formality, informality and traditional exchange in the provision of shelter.

Belshaw’s sample included 382 adult males, with only 62 not in wage employment (while only 14 women were employed).

Extraordinarily, only 15 men were involuntarily unemployed, just 4.5 per cent of the formal male workforce (*ibid.*, 50). In these circumstances, 'all males are wage-earners who must support their whole families from their employment-earnings, with very little supplementary income'. There was no evidence of informal economic activity. 'There is no development of cash crops ... and there is no development of independent business enterprise', because 'the necessary expertise is lacking and the tradition of wage-earning has now established itself' (*ibid.*, 244). Traditional trading voyages (Ch. 6) did not resume after the war and agriculture 'now [had] little more significance than has household gardening in a European suburb' (*ibid.*, 25). This is not to say that all traditional exchange had been abandoned, as will become apparent.

Hanuabadans were not 'detrified', simply enveloped by the town. They were 'a truly urban native community' although differing from such communities elsewhere in having no significant migrant population among them (*ibid.*, 2). These pioneer townspeople were also subject to a unique disadvantage, which Belshaw explained by introducing the concept of a 'village subsidy' (Ch. 12). Rowley took up the idea: Hanuabadans bore 'the full impact of urban development' when they became committed to wage employment and lost the subsistence production which subsidised it. They were subject to a system of urban wage determination still focused on the interests of rural employers, so that 'the gearing of the wage to the needs of the single man has had especially deleterious effects in this kind of village' (Rowley 1965, 197). We should note for comparison that wage-workers in Matupit were much better off, since they continued to benefit from subsistence production while earning cash in Rabaul. Effects of Hanuabadan disadvantage were evident in Belshaw's data showing low standards of housing, nutrition, hygiene and health, scarcity of clean water, high rates of infant mortality and an overall 40 per cent prevalence of tuberculosis (Belshaw 1957, 42ff).

It would be a mistake to point to post-war circumstances as the only cause of this sorry state; it seemed to have been longer in the making. Reminiscent of the apathy among many Papuans in the interwar period (Ch. 12) Belshaw thought Hanuabadans were locked into a low-level equilibrium of inadequate consumption while lacking the ability, political organisation or will to improve their conditions. Men were losing the labour market edge they held before the war, as general standards of education improved and more skilled jobseekers arrived in town. Murray Groves (1957, 46) commented that, '[their] education has lagged behind the industrial and commercial growth of Port Moresby ... [and] work is a perplexing but necessary drudgery'. Moreover the tides of rural-urban migration began to wash through Hanuabada itself. Writing only a decade after Belshaw, Rowley observed a striking change. By 1963 a population of some 3,000 Hanuabadans was now bearing the 'permanent burden' of some 300 additional families—perhaps 1,500 people—imposed by 'the demands of kinship and the extended family' (Rowley 1965, 197). A token of broader processes of urban growth, this suggests urban villagers still felt obliged to honour customary obligations to rural affines and traditional trade partners. Increasing pressure on urban land and housing can only have worsened the squalid conditions seen by Belshaw soon after the war.

Informal migrant settlements

In pre-European times Western Motu villages engaged in a far-flung network of trade and exchange relationships with communities along the south Papuan coast (Ch. 6). In the colonial period coastal people travelling to the capital were able to take advantage of social links forged in such trade. This account draws on the histories of Hula people from southeast of Port Moresby, and Toaripi from the Gulf of Papua in the northwest, to show how these associations

assisted migrants to establish themselves. By gaining consent of rightholders with whom they could claim some link, this early generation of incomers established settlements on traditional Motu or Koita land after the Pacific War. Less commonly 'squatters' occupied vacant government land, as in the case of Toaripi settlers who occupied a ridge overlooking government offices near Hanuabada. This suggests how an acute labour shortage, gripping the capital in the immediate post-war years, had eroded official opposition to such incursions. Their dwellings 'were supposed to be temporary, an expedient that would give the Administration time to construct proper housing for its employees' (Ryan 1970, 18–19). Men with trade skills, acquired working with Allied forces, were in demand. Some gained government housing but then their 'temporary' housing was taken over by more recent arrivals (*ibid.*, 19). Settlements continued to grow inexorably, for while both public and private employers were in principle responsible for accommodating staff, provision was never adequate.

In the inter-war period swift official action had been taken to defend the 'idea of the town'. In this new era sanctions were initially deferred, then confined to spasmodic bursts during which some evictions occurred and services were cut off, though to no avail (Ryan 1977, 149). Toaripi and other settlers benefited from a lack of official resolve and capacity to deter the flow of migrants, although there remained an administrative inertia, based on opposition to settlements and what (in Oram's account) reads like calculated neglect. 'While government officials considered that the migrant settlements were illegal, little was done to prevent their growth', but on the other hand, the perception of illegality 'discouraged any action by government agencies ... or by the settlers themselves, to improve living conditions in the settlements' (Oram 1976a, 196).

When incomers wanted to occupy traditional land, diplomacy was necessary:

‘A Toaripi man would invoke some combination of ties based on trade partnerships, kinship or shared work experience, and ask a Motu with whom he had become friendly to allow him to build a house on Motu land ... The Toaripi house would become crowded and the Motu landowner would be asked to permit another house to be built. As this in turn became crowded, a third house would be built, and so on’ (Ryan 1970, 19–20).

Relations with traditional owners often became strained; as more houses were built social distance between hosts and ‘guests’ increased. Soon permission was no longer requested and the original Toaripi occupant became arbiter of housing arrangements. ‘Thus in a few years there grew up around Port Moresby large settlements of Toaripi migrants who lived on Motu land but who had little contact with the landowners, and who generally refused to pay rents or to offer any other acknowledgment of their indebtedness’. Motu might approach authorities for redress but the importance of Toaripi in the formal workforce and the absence of accommodation alternatives usually protected interlopers (*ibid.*, 19–21). Occasionally landowners prevailed. Tommy Kabu was moved on from several sites before establishing the long-term Purari Delta settlement at Rabia camp in the late 1940s, ‘using his Motu connections’ (Oram 1967, 93). This was a pattern; the removal of settlers by officials only for them to set up elsewhere.

A comparatively small group of settlers were Hula people whose home village lay 100 kilometres southeast of Port Moresby (see Figure 4, p. 61). Mentioned earlier, and described as ‘frontrunners’ of informality, the Hula were a fishing and trading community whose traditional activities dovetailed with those of the Western Motu:

‘In pre-contact times Hula came with their families by canoe to the Motu villages ... and supplied the inhabitants with fish from November to March during the absence of the Motu trading

expeditions ... When [they] ... returned, the Hula were given large supplies of sago. At other times ... Hula also gave the Motu fish and other commodities in exchange for pots' (Oram 1968b, 6).

In the interwar period Hula were unusual among Papuans for their copra trading and short-term employment in the capital to earn money for taxes and church dues. They were also, as previously mentioned, early beneficiaries of LMS education. In the late 1930s some lived seasonally on their canoes, beached near the site of the modern Koki market. Others camped on nearby Daugo Island from where they supplied the town with fish (Oram 1976a, 33). After the Pacific War Hula made use of their local ties and formal education to take advantage of the urban employment boom, bringing families with them. Some Hula began to live on Motu land at Vabukori, facilitated by similarities in their languages and social structures. From 1954 Hula also lived in another beach settlement at nearby Taikone, also on Vabukori land. This Taikone settlement grew in a manner familiar from Ryan's (1977) account of the Toaripi. Other Hula canoes were beached on government land near Koki market. Numbering 15 vessels in 1959, this 'fleet' was expelled from Koki by government officers. The Hula simply relocated, sailing to Taikone where, according to a Vabukori woman rightholder, 'she gave permission for them to stay initially for two weeks and then allowed them to stay longer. They then began to rest the bows of their canoes on piles'. Against her wishes, '[t]hey later removed the canoes and left the canoe houses ... They have since built eighteen substantial houses on the shore' (Oram 1968b, 7-10).

So bald an account might suggest Hula relationships with traditional rightholders became fraught, as in the case of the Toaripi. However, friendly relations were maintained, since Motu owners came to value exchange relationships with their new neighbours and benefited from cash brought into the community. A count of Hula residents in Port Moresby in 1964 totalled 717

individuals, of whom 40 per cent lived within the boundaries of Vabukori. Housing was not a problem because so many Hula had been able to build their own houses (about 40 per cent) or to find employer housing (43 per cent) while others lived in non-Hula households (*ibid.*, 11–14). Over 80 per cent of Hula men were in jobs requiring some level of skill. Males formed less than 55 per cent of the settler community, a degree of demographic ‘normalisation’ very different from other more recent communities. It is striking that during the late colonial period the apparent aptitude of Hula people for informal entrepreneurship was only partially realised, due to their success in the *formal* labour market.

Newer communities included groups with no history of relations with traditional landholders. These included Goilala from the uplands of Papua, people from the central cordillera (Highlanders), and from the New Guinea coast and islands. As each successive group grew their absorption into the town followed a fairly regular pattern: high masculinity among early cohorts, urban residence punctuated by circular movement between town and home-place, increasing proportions of women and family formation in the group, increasing stability of urban residence representing commitment to the town. Consistent with this pattern, whereas in 1957 New Guinean men made up only 11 per cent of the urban male workforce, by the census of 1966 they had increased to 25 per cent, while male and female New Guineans were 14 per cent of the total urban population (Surmon and Ward 1973, 15). Port Moresby was becoming a *national* capital in more than just name. However, all newer groups maintained contact with home communities and frequently hosted visitors, while most still professed the social ideology of an ultimate ‘return to the village’.

New arrivals from the New Guinea Islands region were often students, well-educated recruits to private sector jobs or in government (which employed 34 per cent of the capital’s indigenous workforce in 1966). No doubt some of these people came from

the villages of Pila Pila and Matupit on the Gazelle, where investments in ‘human capital’ were transforming the economic prospects of land-short communities (Ch. 19). Such migrants usually found work-related or institutional housing. Other less-credentialed New Guineans, together with Goilalas and the variety of other newcomers without such housing, had to find their own accommodation. A few married into urban villages and others were able to establish themselves in settlements. Many more took the *pasendia* option,¹⁴ moving from house to house to stay with relatives and kin in employer-provided housing. Fully 13 per cent of the urban population lived in servants’ quarters attached to high-covenant housing in 1971 (Oram 1976b, 149). Others cast around for land to occupy, contributing to a change in the character of informal settlement. New ‘squatter’ settlements were increasingly set on government land, away from the coast. Oram recorded 14 settlements with some 1,850 people in 1956, 18 with 4,500 in 1964, then again 40 in 1970 with more than 12,000 inhabitants (Oram 1976a, 99). At that time, of 18 ‘major’ settlements 13 were on government land (Norwood 1979, 79).

‘Squatter’ settlements were often located in places deemed unsuitable for formal housing, on steep hillsides or in swamps and gullies, reducing the risk of eviction. Some groups with limited formal employment prospects located near land suitable for commercial gardening, along roads outside the capital. Sometimes it suited local landowners, in dispute with rival claimants, to invite migrants to settle and pay rents to strengthen their hand in future arbitrations (Norwood 1984, 103). Possibly the most disadvantaged settlement was at Ragamuka, established by Chimbu (Simbu) Highlanders on traditional land whose ownership was disputed. Accessed via a rubbish dump it was, by reason of landowner

¹⁴ *Pasendia* (*Tok Pisin*, ‘passenger’): one who is accommodated in a household while job-searching or visiting. *Pasendia* generally wear out their welcome after some period and are obliged to move on.

opposition, without running water on Independence Day in 1975 despite more than 40 other settlements having been connected. This account may convey something of the complexity of processes by which incomers of diverse cultures, many languages and widely varying capacities for formal employment established themselves.

At the 1966 census about 16 per cent of the urban population were found in each of the village and settlement areas (*ibid.*, 101), so that about a third of the urban population resided in Oram's 'second (unplanned) sector'. This was still the case in 1972, when he estimated villages now held only 10 per cent of the town's people, while settlements had grown to house 23 per cent (*ibid.*, 194). This was a substantial change in weighting, occurring rapidly in a period of fast overall growth. Between the 1966 and 1971 censuses enumerated population grew from 41,000 to almost 77,000 people, while the formal, planned town maintained its two-thirds share.

Escaping old habits of thought

The post-war orthodoxy of 'development' was tempered in its bureaucratic application by notions of 'guardianship' and a residual commitment to the preservation of village life. Early post-war PNG bore a burden of social and economic obsolescence, originating in a nexus between retarded urbanism, archaic processes of wage determination and low labour productivity (Ch. 15). Official habits surviving from the interwar period delayed the emergence of a committed and stable urban population and hampered investment in its housing and urban amenity. By pushing back against bureaucratic inertia indigenous people transgressed the norms of formal market economy. Activities such as migrating to town for opportunity, accessing land via informal channels, and building on it without permission were cases where the people found it necessary to contravene bureaucratic requirements. Meanwhile, customary landowners enveloped by the new urbanism struggled

to find livelihoods in an environment where subsistence resources were increasingly irrelevant.

This and the previous chapter have described how the capital evolved towards a more stable and committed urban workforce, supporting a normalised population structure. It was a system excessively dependent—until late in the colonial day—on unaccompanied male workers, short-term ‘circular’ migrants. Rural and urban labour supply were linked: the plantation wage served as benchmark for the urban unskilled wage; urban employers relied on labour recruited and paid on a ‘single man’ basis; labour turnover was wasteful and worker productivity hobbled—the policy equivalent of a Gordian knot. Nonetheless slow and laboured improvements to this dysfunctional policy framework occurred during the 1960s. As a permanent, formal urban workforce emerged it provided a template against which informal modes of livelihood could be defined. Such activities (as Hart discovered in 1972) were still relatively unimportant in the capital, even as it came in other respects to exhibit a ‘Third World’ character. If retarded urbanism was evident in bureaucratic fetters on the self-help housing efforts of migrants, the failure of independent, self-employed, *informal* modes of livelihood to flourish was another telling indicator. Later chapters will consider the implications of these lingering phenomena for the town (or the *City*, as Port Moresby became in 1972) at the time of Independence. Meanwhile the narrative turns to the experience of Rabaul in the aftermath of the Pacific War.

CHAPTER 18

Reconstruction in Rabaul and the seeds of post-war growth

WITH THE JAPANESE EXPELLED, Rabaul was again under Australian military government. The old German town had largely vanished and as late as 1950 Rabaul was 'a depressing dusty sprawl of salvage yards, Japanese-built air-raid shelters, black-iron sheds and paper-walled houses' (Fenbury 1978, 49). Across New Guinea, 'It was as if half a century of European development, German and Australian, had not been', while among the people, 'there seemed to have been significant changes of outlook and behaviour ... the simple acceptance of European authority and prestige seemed to be no longer assured' (Stanner 1953, 86). Bill Epstein (1969, 32) thought that 'indigenous aspirations were given new force and direction by their wartime experiences. Such aspirations may often have been vague [but] the Tolai were not in a mood to accept meekly a return to the *status quo* of the pre-war period'.

Neither was the post-war Labor government intending to force such a return, while under the conservatives who succeeded Labor Hasluck's *guardianship* inspired policies on the Gazelle very different from the interwar years (Ch. 15). In the Mandated Territory

regulation had often favoured Australian economic interests at the expense of Tolai (Ch. 8). But now, with the important exception of Goroka (discussed in later chapters), ‘officials quite deliberately refused to provide support for those forms of commerce, mainly international and expatriate owned which were regarded as potentially destructive of village life’ (MacWilliam 2013, 2). Historically subject to extensive land alienation, Tolai would be among the primary beneficiaries of this reversal. ‘Development’ became institutionalised in policy and rhetoric and Tolai internalised it as a collective goal.

Compensation payments were important for recovery and Tolai received among the largest sums. Echoing contemporary opinion, Stanner (1953, 119) commented that much of this was devoted to current rather than investment expenditures, and may have done more for the expatriate private sector than for villagers. Chinese traders certainly benefited, but he probably underestimated the value of supporting Tolai consumption during years when much of their labour was devoted to rehabilitating coconut plantings. They also took advantage of cheap army surplus trucks and other materiel. Again, while Tolai had benefited somewhat from formal schooling before the war, the Gazelle now became a favoured area for educational expansion, achieving enrolment rates among the highest in the country. Together with reconstruction of pre-war agricultural training facilities, the new emphasis on smallholder production proved particularly beneficial.

Innovation and efforts at formalisation

Immediately after the war few trade stores remained to buy copra in small parcels. Among smallholders, ‘some individuals with large acreages made contact with the PCB [Production Control Board] directly and were able to open accounts’ (Salisbury 1970, 133). Enos of Vunamami (see Figure 5, p. 75) ‘formed a copra-

buying group to sell the copra to PCB, bought a truck and started a co-operative store' (*ibid.*, 320). The Board accepted relatively small shipments, delaying full payment until after export proceeds were realised. Although the PCB option disappeared when European and Chinese traders returned and the Board required increasingly larger shipments, the episode was significant in showing some Tolai striving towards more formal operations, successfully negotiating registration procedures and observing quality standards. Formalisation of some Tolai livelihoods was further advanced by the post-war revival of cocoa, when agricultural officers distributed planting materials. Few Tolai had planted cocoa before but now they showed such interest that growth of smallholder cocoa became an official policy objective. Enos was among the first to receive encouragement; in 1949 he deployed his own land, and that of others secured through political influence, to become a substantial producer. Together with other business interests and his subsequent role as a Director of the Tolai Cocoa Project (TCP), Enos would become the very model of a Tolai formal entrepreneur and man of influence (*ibid.*, 319ff).

It is perhaps understandable, but nonetheless piquant, that extension officials selected elite individuals for assistance, thereby reinforcing their political and economic ascendancy. MacWilliam noted such men 'often had unplanted land and the capacity to mobilise labour from "clan dependants"', so that a 'spontaneous process of development, with Tolai bourgeois and would-be bourgeois to the fore' ran ahead of government capacity for supervision. Not until the 1950s were officials able to exert effective guidance over the industry (MacWilliam 2013, 74–75). On the Gazelle, agricultural extension services were only later 'directed to give substantial support to smallholder production of the crop' (*ibid.*, 101) rather than favouring those Hasluck had described as 'shrewd heads' (Ch. 15). A parallel situation occurred in Goroka during the emergence of a coffee industry, where McKillop saw

evidence of an early ‘extension bias’ favouring big-men and coffee production also outran official supervision (Ch. 15).

The progress of cocoa was rapid; by 1954/55, the Tolai population of some 34,000 owned an average of 35 trees each; by 1960 their numbers had grown to 40,000, with 74 trees apiece. This expansion, together with their investment in processing, marked the commencement of Salisbury’s fourth ‘stage’ of Tolai accommodation to market economy (Ch 3). Even though formal plantation output was recovering rapidly, Tolai became responsible for more than a third of ‘dry bean’ production on the Gazelle by 1965 (TS Epstein 1968, 115–166, tables 18, 19). Regulation of smallholders was attempted under a *Cocoa Ordinance* from 1952 requiring smallholders to register, and to have no fewer than 500 trees ‘in continuous grove’ as a condition of registration. This established a *de facto* criterion for formality which many growers could not, or would not, satisfy. The ordinance was never enforced effectively and, because many small secret plots existed, unregistered (i.e., *informal*) cocoa flourished.

Other regulatory objectives related to quality (an issue of processing), and returns to growers (a marketing matter). ‘The Administration was concerned that native growers should produce a uniformly high quality cocoa which could be sold on the world market at a satisfactory price’. This would require modern fermentaries and quality control to produce ‘flavour’ cocoa—a significant step towards professionalising Tolai growers. Maximising prices suggested the need for joint marketing to exert competitive power against ‘independents’ (private traders and processors, European and Chinese). Concern about the performance of Tolai copra cooperatives prompted the search for an alternative model of community organisation, able to achieve both quality and price objectives. The TCP was established as the chosen vehicle (TS Epstein 1968, Ch. 7). A significant bureaucratic initiative intended to formalise smallholder production, it inspired pushback

among some Tolai in the form of a stubborn informality. The rise and fall of the Project has been analysed as a conflict between tradition and modernity (*ibid.*) and as class struggle (MacWilliam 2013). While both accounts are informative, further insights will be gained by viewing the episode through the lens of informality.

Rise and fall of the Tolai Cocoa Project

Although the TCP was established formally in 1956 its components had operated for some years, processing and marketing Tolai cocoa. The creation of Local Government Councils from 1950 provided it with an institutional anchor. Elected statutory bodies with prescribed, formal modes of governance, local councils were founded on ‘rational-legal’ principles. Able to operate economic enterprises, to appropriate funds and incur debt, they exemplified Hart’s understanding of bureaucracy as an instrument intended to support a ‘prevalent economic model’.

Councils were among the earliest instances of Tolai participation in bureaucratic management. Their goals were primarily economic; specifically, to implement ‘development’ based on smallholder communities. Had string-pulling by colonial officials not limited the TCP’s autonomy, the powers vested in it might have represented what Salisbury called ‘political consolidation’. From 1958 it was administered by a Board with council, grower and official representatives. However, as late as 1965 and despite holding a majority, Tolai lacked confidence to take charge.

Scarlett Epstein’s reference to an active ‘break-away political movement’ (1968, 124) suggests some deficit of legitimacy in governance and this may explain why some rejected the TCP altogether while others, despite joining it, failed in varying degree to conform with its rules. Observing the non-conforming manner in which many Tolai continued to grow and sell cocoa, a stubborn informality is apparent. This manifested in what Epstein called

‘the drift away from the project’—which may also be seen as ‘pushback’ against it.

From its beginnings the TCP suffered from the competition of private traders and processors, European and Chinese, while other Tolai were also free to build and operate fermentaries. These ‘independents’ could purchase unprocessed beans directly from growers. Attempts to ban Tolai bean sales, other than to the TCP, were disallowed in the interest of competition but the Project still managed to improve its market share, peaking at 70 per cent in 1958, after which it declined. In 1962, in an attempt to halt the drift, an ordinance concerned with licensing new fermentaries required these to be restricted to Tolai, excluding European and Chinese independents (Salisbury 1970, 60). This was emblematic of the broader policy U-turn since the pre-war period, when bureaucratic intervention had been more often intended to advantage European capital. Even so, TCP garnered only 36 per cent of Tolai beans by 1965 and since it had incurred bank debt to ramp up production this decline posed a threat to its viability. In 1967 the Project was vested in a single, newly unified Gazelle Peninsula Local Government Council, after which new management and procedures ‘appeared to breathe life’ into it for a time. But broader political unrest, increasing costs, new debt obligations, a failed attempt at diversification and growing competition from independents all combined to reverse this recovery. By 1970 preparations had commenced for the TCP to be privatised, a process completed in 1971 (MacWilliam 2013, 186–187).

Why the Project failed: rival explanations

Scarlett Epstein (1968) and Scott MacWilliam (2013) have offered explanations of the erosion of support for the Project, representing, respectively, anthropological and political economy modes of

inquiry. Their narratives are examined here through the lens of the formal/informal duality. In her account Epstein recorded some TCP members supporting the Project publicly, while selling beans to private traders ‘under shelter of darkness’. An informant, To Tama of Rapitok village, was conflicted:

‘he felt ashamed of having to take his cocoa secretly to Chinese traders ... He would have liked to be able to give the project his wholehearted support ... not only did it pay more in the long run ... but it also represented an enterprise ... worthy of his support. Yet he could see no way out of his dilemma’ (TS Epstein 1968, 129)

Tama’s dilemma arose from obligations under Tolai customary land law, a system under pressure as population densities rose. The combination of land allocation on matrilineal principles and the patrilocal residence of many men increased disparities in land distribution, a situation exacerbated by growing use of land for cocoa, a perennial crop. A traditionally flexible system of land allocation for shifting agriculture was now subject to increasing rigidity and competition. While To Tama acquired Rapitok land through his matrilineal descent group, his wife had no rights in the village and was unable to transmit land to their son. To Tama planted on land registered under the *Cocoa Ordinance*, selling its crop formally to the TCP fermentary. On another, unregistered, parcel he and his son planted more trees, selling the beans secretly (i.e., informally) to Chinese traders for the boy’s benefit. Epstein explained this as Tama’s strategy to give the son some opportunity, in the wheeling and dealing which would follow his death, to acquire part of his father’s matrilineal lands. The drift from the Project was caused by inability of customary land and inheritance law to accommodate introduced, perennial cash cropping. This can be seen as inducing pushback—behaviour informal in terms of TCP norms.

MacWilliam rejected explanations couched in terms of a ‘growing clash between “tradition”, represented by matrilineal inheritance patterns, and “modernity”’, represented by land tenure individualisation. Epstein’s explanation did not ‘distinguish between the drive to accumulate by Tolai who formed the local indigenous class of capital, and the possibility that for other, most, Tolai, cocoa provided the means for acquiring consumption goods’. His account of Tolai cocoa involved a ‘clash’ between ‘indigenous capital’ and ‘household production’, whose casualty was the Project. But TCP’s decline was only incidental; MacWilliam’s primary concern was with a developing divergence of class interests (‘the tussle between accumulation and welfare’) involving confrontation between an emerging indigenous bourgeoisie bent on accumulation (including TCP assets) and small producers. For these small players, cocoa provided opportunity ‘for immediate, possibly enlarged consumption’. Not surprisingly, ‘the hiding of assets by the class of accumulators’ was seen by smallholders as ‘an attempt to reduce their welfare’ by removing land from descent group control (MacWilliam 2013, 191–192). Smallholders pushed back against official efforts to shape them in the bureaucratic mould by resorting to covert informal trade (even including cocoa stolen from formal plantations).

The seeds of this conflict were sown, unwittingly but inevitably, by the early prominence of ‘wealthy and influential’ individuals—such as Enos of Vunamami—in the post-war initiatives of an Australian Government intent on stimulating broad-based smallholder development. MacWilliam emphasised the generally benign and positive character of post-war colonial policy while pointing to its longer-run failure (on the Gazelle and elsewhere) to secure an equitable pattern of agricultural development. Increasing levels of economic and social differentiation among Tolai were inevitable, for change in PNG was subject to an ineluctable force, *the external authority of capital*. The post-war world was divided

between Western and Eastern blocs and in the former (including its decolonising territories and client states) the 'private accumulation of capital' was re-asserted (*ibid.*, 12).

From the mid-1960s, in a process by which individuals succeeded in acquiring and 'hiding' assets, a powerful group arose on the Gazelle. Its members' interests 'often spread over a number of landholdings owned and operated under different arrangements'. By 1974, suggesting how far such people had advanced beyond household production, '15 per cent of all indigenous-owned cocoa in East New Britain and Bougainville was grown using wage labour' (*ibid.*, 193). MacWilliam's view of the significance of this new class and the timing of its emergence was portentous: 'An increasingly prominent indigenous bourgeoisie acquired a substantial hold upon state power just as the state was being reformed to accommodate self-government and national independence'. In this political environment, a 'growing struggle over land' was fuelled by opportunities presented by expatriate disinvestment in plantations and other economic assets (*ibid.*, 243). This situation had direct parallels in other 'lucky' places, including Goroka (discussed in Ch. 22ff).

Privatisation of the TCP occurred during this period, but by then Salisbury (1970, 1971) was finished with the Gazelle. He had regarded successive rounds of 'political consolidation' as crucial to Tolai progress, and the establishment of the TCP as a signature achievement. In his terms its acquisition by private interests represented failure. But setbacks had occurred before to interrupt Tolai progress, as for example during the stasis period of 1921–35 (Ch. 8). That situation improved eventually, while under post-war Australian policy representative Tolai institutions were nurtured and smallholder development encouraged. His vision, of a rural-based Tolai economy propelled by the increasing elaboration of service activities (Salisbury 1971) should be understood as inspired by this benign policy environment.

MacWilliam (2013, 194) saw TCP privatisation in 1971 as introducing a new, more brutal era in which class divisions ('between smallholders, indigenous capitalists and their respective allies') would be played out in national and regional politics. His suggestion of increasing accumulation by an 'indigenous bourgeoisie' raised the possibility that Salisbury's immiserising 'urban involution of services' (Ch. 3) would follow as a consequence. In terms of Salisbury's model this would represent a fifth 'stage'—one marked by regression. But more positive developments (a technological innovation, perhaps, or the success of educated Tolai workers in an emerging national labour market) might emerge to avert such a result. (Post-1975 evidence concerning this last possibility is presented in Ch. 19.)

Stubborn informality in the rural economy

In Scarlett Epstein's account, despite To Tama's keen sense of the opposing tugs of tradition and fatherly affection he accepted particular TCP obligations in return for the opportunity to engage profitably in a formal marketing enterprise. But by concealing some cocoa, and creating ambiguity in his relationship with the matrilineage, he chose also to engage in separate, *informal* market dealings. His situation illustrates the hybridity found during transition to market economy, where Adam Smith's view of trade as due to a natural human tendency to 'truck and barter' is counter-posed against the Maussian conception of exchange as the product of socially regulated customs. The formal/informal duality appears in MacWilliam's version, where some wealthy Tolai led the way to adopting formal modes. Active in local government, they were among the strongest supporters of the TCP, were represented on its Board and hoped eventually to benefit from its assets. But other wealthy men in an 'anti-council' bloc clung to informal modes. They dealt with private traders or

even established their own processing facilities, finding customers among their own followers.

Others pursued To Tama's middle way, combining formality and informality by dealing both with the Project and independents. There seems no way to establish in what proportions 'indigenous capital' took these options; no pattern emerges from my attempt to read MacWilliam's account in terms of formality and informality. If the duality were salient to his analysis one might expect wealthy Tolai, able to await final payment until export proceeds were realised, to deal formally with the TCP. However political considerations and issues of inheritance ('hiding assets') seem to have counted more for some. Status as an 'accumulator' was no predictor of how an individual might act. One might think small growers, 'reproducing consumption' and with a preference for immediate payment, would be most likely to desert the Project. But many did not. Informality in growing and marketing cocoa appears to have been a personal choice, for which an individual's class status—whether an 'accumulator' or a 'consumer'—was no guide.

Epstein's account turns on what is described here as *hybrid* behaviour. While growers were conscious of TCP's bureaucratic norms they were also subject to expectations derived from their own social milieu. Such expectations made it difficult for many to conform with bureaucratic requirements. Because Epstein's analysis focuses on this discrepancy (a conflict between imposed orthodoxy and practical outcomes) her account appears more appropriate to a formal/informal framework than MacWilliam's class narrative. Analysis in terms of informality is of particular value in circumstances of economic hybridity (although not all informal activity is hybrid; Ch. 27).

What is being discussed here is *rural* informality. In an agricultural system undergoing transition, rural informality occurs in households where continuing evidence of earlier modes

of production and distribution (household subsistence, non-market exchange, traditional land tenure) is apparent. These are among phenomena described by Hart as ‘residue’ (Ch. 2). Such tenacity of customary social arrangements is conducive to hybridity in market exchange, although apparent continuity may also mask changes in rural domestic economy. In the case of the Gazelle, masked changes included efforts to modify traditional land tenure (emphasised by Epstein) and new forms of material accumulation (stressed by MacWilliam). The ‘under the radar’ character of much rural informal activity provides some explanation for the limited discussion it has inspired in the international literature—certainly by comparison with the abundance of attention lavished on *urban* informality. Perhaps the demarcation of formal from informal poses greater conceptual difficulty in rural areas, because developing country agriculture remains, to a greater degree than for urban economic activity, the joint domain of the traditional and the modern. Although it is often assumed informality will be eradicated by modernisation, in practice it appears informal economic activity is tenacious, pushing back against pressures for change. The stubborn informality of those Tolai who resisted the TCP illustrated that tenacity.

CHAPTER 19

Informal economy on the Gazelle at the end of the colonial era

INSOFAR AS SALISBURY DESCRIBED an informal economy, it was primarily rural, although he also foresaw an urban informal economy (the urban ‘involution of services’). For reasons of geography and infrastructure his rural informal economy was well articulated with its urban centre, in Rabaul. He, and both Epsteins, conveyed a sense of thriving rural-urban relationships, expressed particularly in the Rabaul marketplace. Salisbury estimated some 7,000 people attended on Saturdays in 1961, spending around £2,000 (Salisbury 1970, 175) while Scarlett Epstein counted about 2,000 vendors and calculated cash takings of £2,750 (TS Epstein 1968, 137). Women, acting as what she called *producer-sellers*, were dominant in this and other Gazelle markets (TS Epstein 1982). Sales by individuals were typically small and (demonstrating hybridity) market days were valued as much for the opportunity to socialise as for profits earned in trade. She commented that while using specialised middlemen would have saved time and yielded higher net returns, ‘women producers were not interested in subordinating

the social advantages of their market visits to economic gains' (TS Epstein 1968, 145).

Market transactions with non-Tolai were conducted in cash, while in dealings between Tolai both *tambu* and cash were used. Shell money could be exchanged in intra-Tolai trade for a wide range of traditional commodities and Salisbury (1971, 59) claimed that 'implied rates of exchange' between *tambu* and cash were calculable. Market-women priced their produce in both 'currencies', so that rough equivalents for the cash value of *tambu* transactions could be calculated. While some women used the market to accumulate *tambu*, in most cases their earnings, *tambu* or cash, were exchanged immediately for other foods for consumption, or to cover transport costs. All such transactions were in principle 'value-adding' in a national-accounting sense and, as unenumerated trade, should be seen as informal. Although occurring in the town, they were not so much an instance of *urban* informality as the urban activity of *rural* visitors. Nor (as Epstein's designation of vendors as 'producer-sellers' showed) was there any suggestion of specialised trading. It was van Leur's secondary trading, complementary to subsistence production.

Just as the missionary Danks had found men 'more opportunistic' and open to bargaining (Ch. 8) Salisbury thought Tolai men more profit-oriented than women in food production. In the 1960s some men from western villages (the Tolai 'bread-basket') initiated plantings of subsistence and introduced crops for Rabaul market. He called them 'commercial farmers', because each village 'had its individuals who specialised in producing different bulk crops for the market, and who themselves purchased from other producers the vegetables that they needed for subsistence' (Salisbury 1970, 214). This occurred amid changing patterns of Gazelle trade. An older, ecological interdependence was giving way to a new interdependence. This was between food-surplus areas such as Vunamami and food-deficit villages with

larger wage incomes near Rabaul, such as Matupit and Pila Pila (discussed below). Salisbury's account might appear to suggest the emergence of specialised intermediaries until we read that these 'commercial' farmers still conducted most of their trade 'through the mechanisms of delayed barter exchanges, using *tabu* (*tambu*) and standard fixed equivalences'. In this trade, profits (while being realised in an accounting sense) were 'supposedly, not the driving force for barter exchanges' (*ibid.*). Although his account is sparse a strong element of hybridity was apparent. Despite his suggestion of specialisation in production, such dealings appeared still to retain considerable commonalities with the trading observed by Danks in the nineteenth century. Again, Scarlett Epstein observed entrepreneurs contracting for the bulk supply of foodstuffs to commercial plantations and institutions (schools, missions, hospitals). They bulked up consignments from individuals and trucked produce on commission, thus appearing to perform intermediary functions still absent from Rabaul marketplace (Epstein 1968, 80). The discussion below will return to consider the significance of these two cases.

The Tolai group most engaged in the urban economy was the Matupi, from the peri-urban village of Matupit studied by Bill Epstein (1969). For Matupi women, market attendance was among their most important and regular activities and, unlike other vendors, they sometimes purchased and resold produce. Fish, vegetables, lime and eggs were sourced in Matupit, and other produce in the marketplace itself. They also sold produce around the town streets or by visiting offices, Chinese stores and other workplaces. Such peddling behaviour, with less emphasis on social interaction and more on resale and profit, set them apart from the bulk of 'producer-sellers'. Whether this constituted middleman trade will also be discussed below. It certainly reflected the changing patterns of Gazelle area trade described by Salisbury (above). He also observed street trading in Rabaul, while at sporting events and

other public occasions vendors were active, although he did not identify where these people came from (Salisbury 1970, 189).

Bill Epstein's remarks concerning the relationship between Matupit and Rabaul in earlier periods were reported above (Ch. 8). For the 1960s, he emphasised the multiple economic activities of villagers, for 'it is only by simultaneous participation in the different sectors of the economy, wage, cash and subsistence, that the Matupi can take full advantage of the opportunities for employment in the town and elsewhere' (AL Epstein 1969, 305). In this they displayed Bauer's 'imperfect specialisation' and 'occupational fluidity' (Ch. 3). Starting from subsistence production, they might earn cash by gardening and selling traditional staples or cash crops. Some had 'emerged as contractors and entrepreneurs' and others were in wage-employment. 'But perhaps what is most significant ... is the way many are able to combine a number of these activities at the same time' (ibid., 189). In the context of Africa, such capacity to juggle activities is described by a modern commentator as 'the reality of a thriving informal sector, the diversity of smallholder livelihoods combining formal and informal, farm and off-farm, urban and rural activities' (Vorley et al., 2012, 11).

Some small businessmen operated in Matupit, running trade stores and other enterprises. Others had replanted coconuts after the war and rebuilt copra dryers. Eight stores operated in 1960, with capital generally subscribed by members of a descent-group. These stores suffered many disabilities, including interference from kin and pressure to extend credit, and their viability in a commercial sense was problematic. They were hybrid enterprises; 'most of those who were engaged in running stores were not entrepreneurs in the modern sense' (AL Epstein 1969, 65). Beyond the village, there was no simple dichotomy between those with and without wage employment. Wives worked in gardens but so also did wage-workers at weekends, on holidays or between stints of formal employment. In this period few absent workers stayed away

for very long, though long-term absentees would become more common as Independence approached.

Beyond Matupit, Salisbury (1970, 1971) recorded that many individuals and groups in Vunamami tried trucking produce and carrying passengers; ownership of vehicles displayed hybridity in that it both conferred prestige and promised profits. Typically, however, inadequate provision was made for capital replacement and profits were elusive. Small carpentry contracting was widespread, relatively lucrative though sporadic, and was combined with agriculture and other activities. Pig husbandry had become commercial, while many households raised chickens for sale. Some entrepreneurs obtained beer illegally and resold it; others distilled banana liquor. Commercial *piti* (parties) with music and drinking were frequent and could be quite profitable. Small trade stores were common, though (as in Matupit) often short-lived or spasmodic in operation. Scarlett Epstein was disappointed by the absence of simple manufacturing industries and, like Salisbury and Bill Epstein, she cast doubt on the commerciality of many service ventures. She described these in terms revealing hybridity:

‘Economic enterprise has been adopted into the pattern of Tolai society: it has become a matter of prestige for a matrilineage to own a truck, a shop, or a copra-drier. Each matrilineage is as proud of owning a capital asset as in pre-war days it was of *tambu*. This has led to some uneconomic investment’ (TS Epstein 1968, 52).

Hybridity was also apparent in rural services, where much activity exhibited continuing adherence to traditional values and goals. Services by traditional specialists (composers of songs and dances, canoe builders, makers of musical instruments and ritual specialists performing ceremonies beneficial to communities) required payment in shell money (Salisbury 1971). Mortuary rites and ceremonies associated with male cults had become more

elaborate as part of a Gazelle ‘efflorescence of exchange’, while specialists in magic and ritual (including workers of spells) may have continued to operate, though Christianised informants were reticent on such matters.

The late colonial period, 1960–1975

Assessment of growth and change in Tolai informal economy in the later period is bedevilled by a dearth of studies comparable with those of the Epsteins and Salisbury. In the run-up to Independence, local political instability inhibited field research but, among later work, Scarlett Epstein extended her market research, collecting additional data in 1968–69 (TS Epstein 1982), Bill Epstein returned to Matupit in 1986 (AL Epstein 1988a, 1988b) and Christine Bradley worked in Pila Pila near Rabaul in 1978–79. A more recent historical account (MacWilliam 2013) complements these field-based studies. Together these sources permit some cautious ‘back-projection’ to suggest the trajectory of change to 1975, although conclusions presented here are necessarily tentative.

MacWilliam was confident the tendency towards ‘private accumulation of capital’ continued apace, with growing differentiation between ‘accumulators’ and consumers ‘producing for immediate consumption’ (ibid., 209). The first formal development plan prepared by colonial authorities acknowledged progress in smallholder agriculture but also pointed to increasing rural inequality. Nationally, it predicted the indigenous share of commercial agriculture (already responsible for half the planted area and some 40 per cent of output) would increase substantially, although ‘the trend towards larger holdings in indigenous hands is expected to continue’ (TPNG 1968). Nor was it simply a question of land, for ‘agricultural operations did not represent the extent of the indigenous bourgeoisie’s ambitions’. On the Gazelle, around Goroka, and elsewhere, ‘members of this class moved into crop

processing and export, transportation, trade, urban real estate and other areas of commerce' (MacWilliam 2013, 233). Growing inequality, suggested by the entry of politically connected indigenous entrepreneurs to higher reaches of economic activity, was much remarked at the time. As also occurred in Goroka such accumulation often involved acquisition of enterprises from departing expatriates, with continuing use of foreign management skills. Operations at this level and scale marked indigenous entry to the formal economy (rather than the informal 'sector' central to this study). Further discussion of the significance of these changes will be postponed until parallel events in Goroka are discussed (Ch. 24).

At the more modest level of MacWilliam's 'consumers', another mode of accumulation was operating. Pila Pila, studied by Bradley in 1978, was taking a path other Tolai villages would follow. Land resources were stretched by population growth and perennial tree crops, to the point where 40 per cent of villagers had little or no land for subsistence and were obliged to buy their food. Nonetheless, it was 'one of the most prosperous villages on the Gazelle but with a marked and increasing degree of economic differentiation'. This was due primarily to villagers' historically good access to formal education, so that formal wage and salary earnings totalled three times the cash crop income. With 62 per cent of households having a resident wage earner (and 15 per cent having two), and with 30 per cent of adult males working away from the Gazelle, Pila Pila was compensated for land shortage by income from the wages and remittances of educated villagers (Bradley 1982, 44–46). This was the return on Pila Pila's accumulated *human capital*.¹⁵ Similarly, in Matupit Bill Epstein found that 'in a completely novel departure' many of its people not only worked in Rabaul town but now also lived there, while educated Matupi had managed to parlay their

¹⁵ For 'investment in human capital' in late-colonial PNG, see Conroy (1976). For a case study of absentee educated workers in a 'human capital' framework, see Carrier and Conroy (1982).

schooling into well-paid formal employment in other urban centres (AL Epstein 1988a, 1988b). In 1971 Salisbury had suggested the possibility of an 'urban involution of services' due to rural population growth and economic stagnation. But at Independence, in Pila Pila, Matupit and other land-short Tolai villages, a combination of education and migration occurred to postpone any such 'urban involution'. Differential investments in human capital were proving a potent source of economic inequality, however, both between and within Tolai villages (AL Epstein 1988b, 26).

Growing importance of formal wage employment accompanied innovation in the rural informal economy. In part this flowed from changes in the status and ownership of *tambu*, whose possession in earlier times was crucial to the power, prestige and influence of male leaders (Ch. 8). Even in the early years of Independence *tambu* remained 'a measure of personal worth' for both men and women, as well as continuing to be 'intrinsic to Tolai identity' (Bradley 1982, 84). This continued despite Pila Pila's men having largely abandoned active *tambu* accumulation in favour of seeking success in the cash economy. It was left to women to gather shell-money and they now possessed more of it than men. *Tambu* also continued 'to thrive as a commercial medium of exchange' and it was through informal commercial trade that women exerted themselves to accumulate it. While *tambu* could not be purchased for money, household cash earned in cropping and formal employment could be marshalled by women to finance purchases of commodities, for resale in exchange for *tambu*. These transactions were known as *pipiai*.

Pipiai differs from women's food trading because 'it takes place outside the market[place] and the items sold are non-traditional or imported ones, sold purely for profit'. In land-short Pila Pila 'many women now spend more time in retailing items that they have purchased for cash than they do in marketing their own garden produce'. Thus:

‘on every occasion on which people gather together ... there will be numbers of women selling cigarettes, chewing gum, scones, biscuits, rice or potato chips, frankfurters, doughnuts, hardboiled eggs, peanuts, betel nut and lime, frozen drinks and so on. Women do not even have to leave the village to sell ... At the weekly meetings of the Pila Pila Women’s Club there were always women selling snacks, and a number of women sold regularly to children outside the school at lunch and break-time. Some women carried on a regular trade in cigarettes and pre-packaged snacks from their own homes’ (ibid., 110).

Leaving aside prepared foods and craft goods, *pipiai* was largely a middleman trade in purchased commodities, conducted purely for profit (albeit ‘profit’ earned by spending cash to accumulate *tambu*). While it had some precedent in the earlier middleman trade of Matupi women described by Bill Epstein (1969), it differed greatly from Scarlett Epstein’s description of marketplace trade. That had been conducted by ‘producer-sellers’ whose proceeds—whether in cash or *tambu*—were spent largely on foodstuffs for *own* consumption or transport costs. Earlier women’s market trade was essentially hybrid, but so also was *pipiai* trade, despite its more ‘businesslike’ appearance. Motives for accumulating *tambu* still derived from traditional values and reflected a desire to usurp men’s dominance of it (Bradley 1982, 109). Whereas Bill Epstein had suggested in 1969 that increasing monetisation of Tolai life would eventually spell the disappearance of *tambu*, Bradley concluded *pipiai* was falsifying that prediction (ibid., 112). Its outstanding characteristic lay in allowing the conversion of cash to *tambu*: ‘It is the link not only between the two currencies but between the two ways of life that they represent, the traditional and the modern’ (ibid., 111).

This situation had multiple precedents. Discussing ‘state’ and ‘local’ currencies in Melanesia, Robbins and Akin (1999) referred to the experience of many groups with indigenous currencies. These had all seen ‘a procession of state currencies come and go’

(as Tolai had seen German marks succeeded by Australian pounds, then dollars, and finally PNG *kina*). Such episodes gave observers an opportunity to study ‘the state of play’ between rival currencies, and to consider their roles in social transformation (Robbins and Akin 1999, 2). Reminiscent of Salisbury’s ‘currency war’ between *tambu* and mark in German times (Ch. 8), they claimed *tambu* ‘has continually “duelled” with money ... and today remains a vital symbol of identity and autonomy’ (ibid., 33). Women’s autonomy in Pila Pila involved freedom to resist the complete institutionalisation of formal ‘legal tender’ currency, in favour of conducting some market activity using the indigenous *numeraire*. German ‘victory’ in the early currency war was merely a setback for the Tolai; the persistence of *tambu* after a century of colonial monetisation was another example of their stubborn informality. It was used for a whole category of value-adding transactions, unenumerated and informal. *Pipiai* trading, linking formal and informal currencies and serving both utilitarian and traditional ends, was a prime instance of continuing economic hybridity in the ‘modernising’ Gazelle economy. *Tambu* accumulation, an instance of Hart’s ‘residue’, continued to spur Tolai economic activity.

To describe *pipiai* in 1978 as ‘businesslike’ seems apt when compared with the comportment of Tolai market-women observed by Scarlett Epstein in the 1960s. She saw continuity between Rabaul market behaviour and that observed in inland markets by the colonist Parkinson in the nineteenth century. As in that earlier trade, Epstein’s vendors still affected ‘indifference’ to the prospect of a sale, while husbands still ‘regarded it as bad form if their womenfolk showed any eagerness’. Transactions were typified by ‘lack of competitive spirit and absence of “sales drive”’, since ‘no vendor ever attempted to undercut her neighbour’s prices’. In the marketplace ‘one got the impression of facing a body of monopolistic sellers rather than a large number of small individual vendors’ (TS Epstein 1968, 142–144). Yet only a decade later

Bradley commented on an apparent ‘change of attitude to women’s marketing that has enabled women to expand and diversify their trading activities’ as well as displaying more assertiveness. *Pipiai* was emblematic of this new attitude, but even in regular marketplace trade, while ‘most of the trade is still of garden produce in standard units at fixed equivalences ... nowadays saleswomen call out to attract the attention of passers-by and may lower their asking prices if a prospective buyer hesitates’ (Bradley 1982, 114–115). This might seem trivial to anyone accustomed to Asian produce markets or the barrow-boys of Camden Town (Epstein 1968, 142) but in the small world of Melanesian markets such changes verged on the seismic, suggesting progress towards a more recognisably ‘Asian’ mode of dealing.

The elusive merchant class

This study examines the implications of failure by traditional Melanesian societies to produce an occupational class of merchants practising van Leur’s ‘trade as a specialised occupation’. It asks whether this was unfavourable to their ready entry to the introduced market economy. But to say that the Tolai experience of traditional ‘secondary’ trading and re-trading allowed them to operate in that economy is not to endorse Scarlett Epstein’s (1968) view of them as ‘primitive capitalists’.

Reports of innovations in food production and distribution by Scarlett and Bill Epstein, Salisbury and Bradley were mentioned above. Scarlett Epstein’s account (1968, 80) of intermediary functions described the ‘bulking’ of produce and commission-selling. It is difficult to judge how far this constituted ‘trade as a specialised occupation’, or the extent to which those concerned had abandoned subsistence. Under Gazelle social conditions it is possible such wholesalers were traditional big-men whose marshalling of food for market was analogous to traditional leadership in the

preparation of feasts. Rather than being specialist intermediaries, such men seem likely to have maintained multiple activities, from subsistence and cash crop production to engaging in individual and group enterprises. From among such people formal wholesalers might be expected to emerge but there is little evidence to suggest how far this occurred before Independence, since detailed accounts of men's trading are lacking for the late period. As to Salisbury's account of men he called 'commercial farmers' (1970, 214), I have noted the continuing influence of traditional trade—delayed barter exchange, use of *tambu*, and fixed equivalences—in the operations of the large-scale producers (or aggregators) he described. This degree of hybridity suggests calling them 'commercial' was premature.

Matupi market-women studied by Bill Epstein were not specialist traders. At best secondary traders, they had 'portfolios' of other livelihood activities commencing with subsistence agriculture, which they combined to contribute to household welfare. By contrast, events observed later in Pila Pila by Bradley were quite different in character—notwithstanding the evidence of hybridity in her account. Bradley's research suggested a late-colonial intensification and individualisation of petty trading activities, fuelled by growing cash incomes. Having neither access to land nor produce to sell, some Pila Pila women practiced *pipiai*, the reselling of purchased commodities as a form of petty specialised trade. This activity was of a different order than secondary trade; *pipiai* traders should be regarded as embryonic peddler/merchants, appearing in land-short villages around the time of Independence.

Leaving aside the activities of MacWilliam's 'accumulators'—who are not the primary focus of this study and whose progress towards 'formal' status is seen as owing more to political entrepreneurship than commercial acumen—the Tolai he described as producing for consumption were responsible for a modest profusion of 'micro' and small enterprise. Such informal activities were typically small in scale, elementary in terms of

management and capital inputs, sometimes tinged by illegality and with pervasive elements of hybridity. Most households enjoyed multiple sources of income and a still relatively secure base in subsistence, although population growth was rapid and pressure on land resources growing. Salisbury commented that a 'lack of avenues for productive investment' deterred further business growth (a theme also taken up by Scarlett Epstein). In Vunamami, 'the progression of an entrepreneur from petty marketing, to copra-drying, to truck ownership, was one that was readily achievable—so much so that an oversupply of trucks had already occurred and an oversupply of drivers seemed imminent'. But market forces did not impel people to branch out; 'savings remained tied up in inactive bank accounts ... or were employed in duplicating facilities used only by the local community' (Salisbury 1970, 275). Nonetheless a new sequence of Tolai economic growth (a possible fifth 'stage') may have commenced, as suggested by the discussion (above) of human capital, migration and skilled employment among Pila Pila villagers.

In the 1960s Salisbury had looked forward to a breakthrough to larger-scale and more sophisticated business operations, coming with the emergence of formal investment vehicles. A further wave of political consolidation, these would operate over extended markets and mobilise capital from wider groupings. This would require government to devise new models of business entity suited to indigenous group ownership (Salisbury 1970, 276). A formal legal vehicle for such purposes was created by legislation in 1974 (the *Business Groups Incorporation Act*). Fitzpatrick (1980) claimed that 'big peasants' (MacWilliam's 'accumulators') soon became dominant in these groups, using them as 'springboards' to political and commercial power, though the dynamic was more political than entrepreneurial. By such means the principle of *paramountcy of native interests* was appropriated to serve the interests of an emerging class of 'insider' entrepreneurs (MacWilliam 2013, 238).

Leaving aside Chinese activities (Ch. 20) the *urban* informal economy remained very small at Independence (apart from the marketplace activities of rural day-trippers). Despite growing inequality in access to land, no level of rural distress had occurred sufficient for an urban 'involution of services'. Instead, superior Tolai education, deployed in a national labour market, suggested how that danger might be averted or postponed. Scarlett Epstein (1982, 9) was surely too pessimistic when she wrote that Gazelle markets, composed of female producer-sellers, 'do not seem to be transitional types'. In light of the emergence of *pipiai* trade, it seems possible further and more widespread elaboration of the rural service economy occurred prior to Independence, together with incipient specialised trading functions. However, trading as 'a self-sufficient profession' appeared confined to some instances of petty specialised trade, albeit amidst signs of a more general change occurring in trading culture.

CHAPTER 20

Chinese enterprise in Rabaul: Apotheosis and decline

THE JAPANESE INVASION in 1942 converted the Gazelle into a vast military base, the Australian population and administration having essentially abandoned the Tolai, and most of the Chinese, to their fate. Military occupation caused much suffering and loss of life and Allied bombing inflicted enormous damage on the town, infrastructure and plantations. The suffering of civilians was multiplied when the Japanese garrison was trapped until the surrender in August 1945. Immediately after the war, as in 1914, some Chinese became peddlers to the Australian forces, offering souvenirs, scrap-metal trinkets and Japanese memorabilia. Chinese construction companies regrouped and commenced rebuilding Chinatown, as traders and artisans struggled to recommence operations and contracts were awarded for reconstruction in the town proper. Recapitalisation was assisted by compensation for war damage although (given the opaque character of many of their activities) some Chinese had difficulty documenting losses (Cahill 2012). Tolai also received substantial payments and their spending in trade stores assisted Chinese economic recovery. Well-suited to

the new ideology of economic development, Chinese would be freer to exercise their entrepreneurial talents.

Yet there were constraints on that freedom. Charles Rowley observed of the New Guinea Chinese that their community 'produces very wealthy citizens without forsaking its own cultural standards. The Chinese is not in fact encouraged by the Europeans to think of himself as a citizen of a wider community than that of Chinatown'. Even in 1958 when Chinese Rabaul was close to the apogee of its success, he asserted that 'the frontiers of the Chinatown in Rabaul are as evident as ever they were' (Rowley 1958b, 79–80). Originally, racial discrimination and the attempt to impose a particular economic role upon them explained their centralised location. No doubt inertia played some part in keeping them there, but economies of agglomeration were probably more important. There were good reasons for Chinatown to maintain its centrality, so long as Rabaul retained its position as the economic capital of Chinese New Guinea.

Cahill described the 1950s as boom years for Chinese traders, with Tolai keen to 'cut copra' or gather nuts for sale. In 1953 *Pacific Island Monthly* reported the rebound of Chinese enterprise and, rather than crediting hard work and thrift, saw in this a threat. Echoing insecurity felt by European storekeepers and copra traders before the Great War, the *Monthly* claimed the Chinese 'own huge capital. As a result, they are now reaching out constantly after properties developed by Europeans, and their readiness to pay high prices, in prompt cash, when chances have occurred in very recent years, has caused perturbation among Europeans' (cited in Wu 1974, 567). Scuttlebutt indicated 'Red China' as the source of this capital but Wu pointed to compensation payments and the informal *hui* mechanism (Ch. 9) as funding Chinese investment. He asserted that as late as the early 1970s only some Chinese merchants dealt with banks, and simply for transactions, while the first bank loan to a Chinese was granted only in the 1950s

(*ibid.*, 571). Christine Inglis suggested that by 1973 all her respondents used banks, and had obtained bank credit where possible ‘at least for the past 25 years’ (Inglis 1977, 249–250). Remembering that the New Guinea Chinese were admitted to Australian citizenship from 1957, the denial of formal credit to them by banks would have been increasingly anomalous after that date. Also, Chinese were encouraged to contract professional accounting services by the introduction of an income tax in 1959 and no doubt this gave greater comfort to bank managers.

Continuing informality in Chinese business is suggested by Wu’s anecdote about the owner-manager of one of the largest wholesalers, trading since the 1920s. Even in 1952, this man:

‘had no knowledge of systems of modern bookkeeping, debt collecting, shipping and insurance arrangements ... When [he] had trouble collecting debts owed him by Chinese retailers [in] Solomon Islands, New Ireland, and New Britain ... he hired a white man ... to help him to sort out the accounts. The clerk was surprised to find out that the firm carried on an importing business, the annual turnover of which amounted to £80,000 in 1952, but that the owner-manager had no knowledge of the revolving credit system and other facilities available from a bank, for the firm had always done business on a cash basis’ (Wu 1974, 571).

As evidence of growing formalisation in much Chinese business, Inglis reported their increasing reliance on formal agreements and other legal documentation, in matters such as acquisition of businesses and leasing or purchase of property (including, from the 1950s, in Australia). Larger enterprises consulted European accounting firms for advisory services and a number incorporated as ‘exempt proprietary companies’. These had statutory limits on membership, and relaxed reporting obligations; only two such companies had non-Chinese shareholders in 1973

(Inglis 1977, 206). Nonetheless Chinese business remained quite heterogeneous on the eve of self-government. For example, in the retail sector, 'stores range from those operated by elderly ladies, carrying a restricted inventory of basic goods obtained entirely from local Chinese suppliers to large specialist retailers and wholesalers who import direct from Australia and other countries' (Inglis 1977, 317). Numerically, Chinese business was 'dominated by a number of small trade stores and craft businesses which have only indigenous staff'. Such stores 'lack any form of stock control or check on cash takings, which are often simply put into an old tin behind the counter' (ibid., 138). Such anecdotes suggest a continuing strand of informality. Even some larger retail stores continued to exhibit Bauer's 'imperfect specialisation', as a revolving cast of family members and part-time employees took time off from other occupations to work 'after hours' (ibid., 142ff). In some smaller businesses with two owners Bauer's 'occupational fluidity' also occurred. Owners were obliged to engage in various sidelines if they were unable to achieve the scale necessary to support both proprietors (ibid., 162).

A telling indicator of continuing informality was the widespread participation of business owners in *hui*. A parallel, unregulated credit system, *hui* had members including persons with access to formal credit whose enterprises otherwise exhibited hallmarks of formality. In Rabaul at the end of 1971 there were 14 *hui*, each with between 30 and 36 members, operating in a town with only about 180 Chinese businesses, so that 'the whole community serves as a general pool for recruitment' (ibid., 263). Because Rabaul wholesalers often suffered cashflow problems due to mismatch between payables and receivables they were prominent among *hui* organisers, often participating in several simultaneously. Declaration of *hui*-related income or expenses in some personal tax returns (ibid., 238, n6) marked a degree of enumeration, hence formalisation, of the *hui*, and some organisers made explicit attempts at private regulation

by circulating printed rule books and issuing receipts for periodic contributions (*ibid.*). Inglis remarked, however, that ‘neither these nor the verbal contracts entered into have ever had their legal status tested in a court, so most participants regard the *hui* as without legal status (alegal)’. Some non-participants described the *hui* as ‘risky’ and as having ‘no legal basis and only informal security’ (*ibid.*, 259). That members, whose own enterprises were increasingly formalised, had attempted to establish governance for the *hui* did not amount to its formalisation and it continued to function beyond formal regulatory frameworks. Inglis rejected any suggestion that *hui* membership was based on particularist associations and she doubted that the integrity of *hui* finances depended on trust derived from such associations. Rather, the existence of ‘a network of gossip’ in a small community acted to ensure participants were well-informed about other *hui* members. It gave ‘visibility’ to their behaviour. This last was ‘probably the most important factor in social control in the *hui*’ (*ibid.*, 266).

After Chinese became eligible for Australian citizenship in 1957 they were permitted to move freely to the New Guinea mainland and to Papua. Wu described ‘a large-scale migration’ to Lae, Madang and Wewak and ‘most conspicuously’ to Port Moresby, growing rapidly due to bureaucratic centralisation and Australian development aid. Back home, although ‘many Rabaul Chinese artisans took over the old stores left by emigrants or set up new stores’ (Wu 1974, 568–569), Chinese Rabaul had probably achieved its commercial apotheosis by the end of the 1950s. It declined quickly in relative terms thereafter. In 1972, on the eve of self-government, Wu counted some 470 Chinese businesses, of which 150 remained in Rabaul, but with almost 140 in mainland New Guinea and some 120 in Papua (*ibid.*, 569, table 3). This included Port Moresby, which had only a handful of Chinese residents before the Pacific War. Numbers of businesses probably do not tell the full story; those leaving Rabaul were among the more dynamic and formal enterprises.

National census data for 1971 put the Chinese population at some 3,000, with a further 500 to 600 of mixed descent. An exodus to Australia was underway by this time, caused by apprehension at the approach of Independence. Rabaul remained the largest centre of Chinese population although the total had declined to fewer than 900, while in Port Moresby there were some 620 Chinese and more than 400 in Lae (Wu 1982, Ch. 1). Chinese fear and uncertainty had dramatic consequences in 1972 when one Rabaul *hui* collapsed and a run on others threatened. Only community cohesion enabled losses to be contained and face saved (*ibid.*, 581–582). After that no more *hui* were organised (Inglis 1977, 273). By 1980 Rabaul had fewer than 300 Chinese residents, the others having ‘taken the course of exodus’ (*ibid.*, 156).

A relatively new business, cocoa buying and processing, occupied many Chinese in the late colonial period. Much of this was conducted on an informal basis and Chinese traders were implicated in the failure of the TCP, intended to formalise Tolai cocoa. The TCP was undermined by (*inter alia*) surreptitious informal trading with politically-dissident Tolai growers (Ch. 19) and after it closed in 1971 the only cocoa fermentaries operating independently on the Gazelle were Chinese. Their owners had close family connections and the potential for price-fixing might seem the opportunity for a case study of particularism at work. The freewheeling character of Chinese Rabaul asserted itself, however. Relations between major players were not good and price competition in cocoa buying remained strong (Inglis 1977, 385). Yet old habits and familiar tensions continued after the war, as two episodes suggest. In the first case, in 1956, the Registrar of Cooperatives in Port Moresby accused Chinese of ‘unfair opposition to native economic development through sharp business practice, claiming that Chinese extended credit to natives and that in New Ireland they had a “virtual lien over their crops”’, while in Rabaul natives were “probably in debt to the Chinese population or are held

by liquor or other vices”’. Another senior official ‘was puzzled by the ambivalence of Tolai who were, he claimed, “intensely jealous of the Chinese ... [yet attracted by] part-payment in liquor, free cups of tea and cigarettes, [and] rumoured high prices”’ (Cahill 2012, 266). A second episode was related to an ordinance of 1962 for the licensing of new cocoa fermentaries. These were to be restricted to Tolai operators, to the exclusion of Chinese and Europeans, in the belief that purchasing and processing by non-indigenous traders threatened the viability of the TCP.

These cases differed from pre-war episodes in which Chinese and Tolai aims were often aligned, and opposed to European interests. In this new era, an Australian concern for Tolai welfare (as well as some degree of anti-Chinese sentiment) underpinned the regulatory impulse. Tolai were seen as the proper beneficiaries of ‘economic development’, while Chinese had come to be regarded as operating against the interests not so much of Europeans as of indigenous people. The contemporary account of Chinese behaviour is immediately recognisable. It mirrors the conduct of previous generations and suggests a continuing strain of informality (even illegitimacy) in some business practices (just as the account of official attitudes reflected old prejudices). Two ‘legitimate’ enterprises, formal in their methods, structures and legal constitutions, were said to be threatened by Chinese business conducted in the old, informal manner. Now, however, these formal businesses were owned by Tolai—the cooperative system and the cocoa project—and Chinese traders were accused of undermining them. The changing policy environment, together with the rise of Tolai economic nationalism in the 1950s and 60s, were signals heeded by the Chinese community. Opportunities offered by post-war prosperity, followed by emigration to other towns and/or to Australia, must have seemed a welcome resolution of their ambiguous status.

CHAPTER 21

Bureaucracy and market economy on the frontier

IF BUREAUCRACY AND MARKET EXCHANGE are necessary for informal economic activity we should examine how each manifested in early post-war Goroka (see Figure 6, p. 151).¹⁶ The necessary bureaucratic capacity was present, although applied in an unorthodox, occasionally aberrant style owing much to the recent military experience of officials and the circumstances of Goroka as a frontier district. What Francis West (1968, 18) described as ‘the most fundamental action of colonial rule’, namely ‘the establishment of law and order ... by peaceful penetration’, was a work in progress there, well into the 1950s.

¹⁶ A note on place names: Eastern Highlands Province (EHP) is the administrative area of contemporary PNG where these events took place. It is the eastern portion of the geographic ‘central Highlands’ region. ‘Goroka’ is used both for the principal urban centre of EHP and its immediate district, corresponding broadly to the Goroka and Asaro Valleys. For the early-colonial period (without considering later boundary changes) EHP may also be referred to here as ‘Eastern Highlands District’, or simply ‘Eastern Highlands’. The title ‘Gorokan’ is reserved for indigenous inhabitants while ‘European’ and ‘expatriate’ are used for white residents (mostly Australian).

Following Antonio Gramsci (Ch. 14), Charles Hawksley (2005) described the post-war Eastern Highlands as a zone of ‘administrative colonialism’ on which a ‘cultural hegemony’ was imposed to establish and legitimise the capitalist State. In his *Prison Notebooks*, Gramsci advanced the proposition that ‘every relationship of “hegemony” is necessarily an educational relationship’. Asking how a hypothetical ‘Papuan’ should be educated, Gramsci considered ‘whether ... a nation ... which has reached a higher degree of civilisation should not ... “accelerate” the process of education of the more backward peoples’ (Gramsci, cited in Hawksley 2005, 1, 2). This might justify ‘a degree of force’, though Hawksley emphasised that administrative colonialism ‘moves away from the use of physical force in favour of increasingly sophisticated techniques of social management’ (Hawksley 2001, 14). Regulation and bureaucratic control were central to these techniques. Processes of ‘forced cultural transformation as educational hegemony’ prepared the way for Gorokans to accept the legitimacy of the colonial State and the processes of capitalist accumulation (ibid., 2–3). On this logic one might see the *kalabus*, a prison compound, as an academy in which miscreants learned *Tok Pisin*, the colonial lingua franca, and became schooled to Australian bureaucratic expectations.

Gramsci’s notion of colonial hegemony as an educational relationship has some appeal. In a dozen years Australia achieved a great deal in the Goroka region, all of it ‘done with limited physical coercion, and ... achieved ... primarily through regulation and persuasion’ (ibid., 301). Its purpose was to create ‘conditions ... safe for capital’ (ibid., 16), specifically ‘to change a society where warfare was a normal state of affairs into a stable agriculturally prosperous society obeying regulations designed to ensure compliance with colonial aims and the political economy of capitalism’ (Hawksley 2005, 1). Marxian rhetoric aside, Hawksley’s ‘administrative colonialism’ appears broadly consistent with the *trusteeship* philosophy espoused by Paul Hasluck, the most influential

Australian Minister of the period, while Alf Conlon, who inspired many post-war changes, has been described as having Gramscian tendencies (Ch. 14).

Hawksley assumed a consistency between Australian colonial aims and the political economy of capitalism, but Gorokan-style 'capitalism' would prove compromised by the hybrid and informal nature of most indigenous market economic activities. Later chapters will show that the colonised often proved unable or unwilling to conform fully with capitalist market norms and the bureaucratic regulation instilling them. Commitment of successive Australian governments to 'native welfare' (and their relative success in institutionalising this objective) is difficult to reconcile with wholehearted adherence to 'capitalist political economy'. One might distinguish a realm of good intentions, presided over by Hasluck, while maintaining the inevitability of historical processes. But this would deny the real substance in 'guardianship' and the 'paramouncy of indigenous interests', notions applied to temper negative effects of development. The account here of Hasluck's ministerial tenure will support these contentions.

To prepare the bureaucracy for its task the Labor government established an Australian School of Pacific Administration (ASOPA) in Sydney in 1945, to create what Hawksley (2001) called a 'finishing school' for colonial administrators. Though less grand than Conlon (its instigator) had hoped, it would perform a Gramscian role. ASOPA schooled Australian field staff in the new ideology of economic development, encouraging them to consider how it might be reconciled with Eddie Ward's 'dual development' (Ch. 15). Among its graduates was Ian Downs, District Commissioner (DC) in Goroka (1952–56). His answer to that question would occasionally place him at odds with colonial orthodoxy, as determined in Canberra and administered from Port Moresby. He was later commissioned to write the official history of the Australian Trusteeship (Downs 1980), so his perspective is

well-documented in this and other sources (e.g., Downs 1986). His significant role in events discussed here requires the most careful examination of these narratives.

Immediately after the war the Highlands were not central to Port Moresby's concerns. Conflict had touched the region lightly and when Minister Ward announced the decision to appropriate resources for development and pay compensation for war damage, the focus was primarily on coastal regions. Colonel JK Murray, first Administrator of the newly combined territories, was beset by labour and materials shortages and much criticised by coastal business interests, fretting at delays in reconstruction and outraged by the cancellation of native labour contracts. In the official history Downs (1980, 176) recorded that 'highland development was put aside because there had been little war damage and no disruption in the lives of the people'. Privately, he charged that the Highlands 'had been deliberately starved of finance, kept in isolation and held back ...' (Downs 1986, 222). A sense of neglect may have encouraged some non-conformist thinking among Highlands administrators; it certainly appears to have rankled with Downs, who despised 'the centralists' in Port Moresby (Downs 1986, 236; also 233).

While it was Port Moresby's responsibility to ensure Canberra's writ ran in regional outposts, Hasluck was a 'hands-on' minister. When departures from orthodoxy became evident in Goroka in 1953 he found it necessary to rein in DC Downs personally, for decisions he thought likely to infringe 'native interests'. The Eastern Highlands did not always conform with the norm that 'officials quite deliberately refused to provide support for those forms of commerce, mainly international and expatriate owned which were regarded as potentially destructive of village life' (MacWilliam 2013, 6). Development tempered by guardianship may have been post-war ideology, but in Eastern Highlands practice it was coloured by a local 'developmentalism'. An early instance related to alienation of land for European settlement. In the Highlands,

‘land policy, at least as *locally applied*, was to equate white settlement with economic development’ (Rowley 1965, 120, emphasis added). It was this attitude Hasluck found necessary to curb. A second instance concerned transport, specifically roads and their uses. Here Hasluck found himself unable to control the developmentalist impulses of his Goroka administrators. These episodes (described below) exemplified tensions in the 1950s between centrally ordained policies of ‘uniform development’ and an incipient tendency (personalised here in the character of Downs) towards what came to be known in the 1960s as ‘accelerated development’.

Hasluck’s early policies were predicated on a long time-horizon, and on gradualism. To some extent tensions in Goroka were also playing out in other ‘progressive’ districts, exerting pressure on the Minister to reconsider the pace of development and the allocation of resources. This was the context for his decision, shortly before his term ended, to seek the World Bank policy advice which crystallised accelerated development (IBRD 1965, 31–35). This involved ‘picking winners’ for preferential treatment among PNG’s regions, whereas uniform development, the attempt to achieve racial and regional equity, had been a corollary of Ward’s *dual* development. The new approach would have distributional implications, with political consequences which came to a head immediately before Independence (Ch. 25).

Private business activity was prominent in Goroka from the beginnings of white settlement, with the boundaries between public and private interests often fluid. JK Murray was disconcerted in 1948 to find that District Officer Taylor and a number of other serving field staff had taken French leave to join a short-lived gold rush at Porgera, in the far west of the region (Downs 1980, 174) and by 1949 Taylor had resigned to take up land in the Asaro Valley. By that time some ‘privileged Europeans’ including former government officials had secured ‘permitted occupancy’ of Highland land, some even ‘squatting’ on land close to Goroka

airstrip (Downs 1980, 174). In due course other senior officers set up post-retirement careers in and around the settlement. These included Taylor's successor Greathead, who retired with the rank of DC in 1952 and was succeeded by Downs, himself to resign later to become a planter. On retirement Downs would become Chairman of the Highland Farmers and Settlers Association (HFSA) in which all three played leadership roles.

Before the war, and for a decade after it, numbers of Europeans in the district were small, with only 15 resident in the hamlet of Goroka in 1950 (Howlett 1976, 247). It is remarkable how few government officers (together with a handful of white settlers and missionaries) managed to implant not so much Gramscian 'cultural hegemony' as a particular local version of Australian colonial aims. Goroka patrol post (later, 'town') was not recognised initially as an urban place, though the Eastern Highlands District was recorded as having 363 non-indigenous residents by mid-1954. By mid-1956 it had 487, with 314 of them in Goroka subdistrict (*ibid.*). This growth occurred during a period of 'land rush' and the initiation of commercial coffee planting.

Despite his dismissal of 'centralist' bureaucrats, Downs and his colleagues were also bureaucrats. Since in Weberian terms it would be a contradiction to speak of an informal bureaucracy, it is better to think of the frontier administration as operating in an unorthodox manner, distinguished by a 'can-do' attitude. A product of improvisation under immediate post-war circumstances, and perhaps because 'there was not the same hostility to capitalism displayed by the British administrative caste' (Stewart 1992, 4), bureaucratic action took on a distinctive character. A propensity to cut corners in Goroka contrasted markedly with pioneering coastal administrations, both the highly formalised German bureaucracy in New Guinea and the impecunious, centralised and 'correct' administrations of MacGregor and Murray in Papua. Goroka bureaucracy in the 1950s anticipated the phase of accelerated

development while at the centre Paul Hasluck was still prescribing uniform development.

Introducing a market economy

Beyond Melanesia, it was uncommon for colonial bureaucracy to precede market economic dealings. In many colonies, as in British West Africa, 'the market' had pre-colonial antecedents. At one extreme in traditional society, Hausaland in Northern Nigeria, 'all foods entered the market as commodities and cotton was grown extensively for textiles' (Hart 1982, 9). 'Even in remote areas, where the division of labour was less developed, mechanisms usually existed for the circulation of foodstuffs, including local marketplaces' (ibid.), whereas in pre-colonial Melanesia specialised traders were unknown (Hughes 1977, 1978). So also were transactions facilitated by general purpose monies. Late-coming colonial powers in the island Pacific often found it necessary to institute market processes, since devices of compulsion were less available as the twentieth century advanced, as well as being of doubtful efficacy. This was certainly true in the central Highlands where colonialism dated only from the 1930s, by which time New Guinea was an Australian Mandated Territory subject to international scrutiny. It is necessary to examine how the Goroka District Office set out to stimulate a market economy among Gramsci's 'Papuan'. Commencing with efforts to monetise economic transactions, we should then consider how the local mode of bureaucracy dealt with three important and interlinked problems: finding and establishing a staple commercial crop, securing the land on which it would be grown, and managing transport to export markets from a mountainous and land-locked region. The solutions to these tasks reveal something of the unorthodox approach of Goroka-based administrators. Their methods included (at least in the early post-war period) a pronounced degree of dirigism. In Goroka, 'the colonial state

created for itself a key role in the production, distribution and exchange of commodities' (Hawksley 2005, 3).

As early as 1945 District Officer Taylor prepared an advisory note, *Mercantile Stores and the Circulation of Coinage*. A 'step in creating embryonic capitalism', it encouraged 'a linkage between local production of agricultural commodities and the consumers of the outside world' (ibid., 18). Commercial vegetable-growing came first, with the District Office making a market by acting as buyer and price-setter. The intervention was not insignificant; in the first six months of 1950, 'the administration purchased over 550,000 [pounds] of native foods just from Goroka' (Hawksley 2001, 324). This had precedent from the late 1930s, when administrators stimulated production of food for officials, labourers and troops by offering marine shells (Ch. 13). However, the intention to monetise such transactions was novel. Next, passionfruit and peanuts were trialled as potential export crops, with official purchasing policies supporting growers by stabilising markets (ibid.). Subsistence and introduced crops, along with labour recruitment, provided the initial impulse for Gorokans to engage with the market economy. Neither passionfruit nor peanuts succeeded, though peanuts were incorporated into indigenous diets and became important in informal food marketing. A third crop, coffee, offered greater potential since it combined a high value-to-weight ratio with a favourable international market.

While cash and shell continued to circulate as parallel currencies, shell diminished in importance as the adoption of new 'valuables' rendered it less central to traditional exchange. When Jim Leahy opened a store in 1948 Taylor felt able to pay station labourers in cash, and required the hospital to pay cash for local foodstuffs (Donaldson and Good 1988, 70). Government land acquisitions were also made with cash from 1949, as were early purchases of smallholder coffee. Acceptance of Australian currency increased after 1950 as returnees from the Highlands

Labour Scheme were paid off in Goroka, spending much of their cash locally, and banknotes, coinage and certain introduced commodities came to be incorporated into traditional exchange as valuables (Strathern 1979). Additionally, some 2,000 men were employed on highland plantations by 1955, paid partly in cash. Aside from early instances of coffee barter, by the time local smallholders were producing any significant volume the trade was almost completely monetised. Gorokan demand for cash was stimulated by steel tools in trade stores and they developed a taste for imported consumer goods and foodstuffs. Later, demand for cash was stimulated by council head tax and school fee obligations, although the boom in indigenous coffee plantings commenced years before these were imposed. It was spurred as much by prestige-seeking as by material incentives.

An episode from 1953, arising from road construction, illustrates hybridity in economic transactions and official grasp of the Gorokan psyche. Sensitive to any suggestion of forced labour, Downs (1980, 212) claimed all road-workers were paid. This was not formal payment of wages, however. At the completion of a crucial stretch he assembled workers with their appointed leaders (*luluai*), to attend a ceremony replete with symbolism. As in a traditional prestation, Downs called upon the *luluai* to accept payments for their groups. The media of payment were 'boxes of axes, tomahawks, bush knives, gold-lip pearl shell, tobacco, and five white cotton bags of shillings from the Bank of New South Wales in Lae' and he distributed these valuables, traditional and neo-traditional, in accordance with the size of each group and its contribution. As ceremonial sponsor, DC Downs made a speech to which each *luluai* responded after receiving payment. Downs then distributed the flesh of 20 pigs (Cleland 2010, 68–69). As a matter of form, he had called for payments to be distributed among all, but (as in the 'efflorescence' of exchange characterising this period) senior men no doubt benefited disproportionately.

Downs had come to Goroka believing the Highlands ‘desperately needed development and an exportable cash crop to satisfy the expectations of the people’ (Downs 1986, 217). Coffee, the chosen staple crop, was rapidly adopted by Gorokans, although there is debate whether this was due to settler enterprise assisted by bureaucratic dirigism or to autonomous Gorokan initiative. Ben Finney (1973, 53–54) stated bluntly that ‘settlers started the coffee industry largely on their own and ... it was their pioneering activities that served to awaken the interest of Gorokans in coffee’. Michael Bourke (1986) provided a revisionist account, challenging claims that European planters had ‘pioneered’ coffee growing and imputing more agency to Gorokans than was commonly supposed. Finney’s account mentioned village plantings near Goroka as early as 1944–45 which he described as non-commercial, although this appears inconsistent with his statement (Finney 1973, 43) that some Gorokans were bartering cherry coffee at the government station by 1947. If so this was probably inspired by official encouragement of vegetable marketing (and indeed the Eastern Highlands administration paid cash for 3,200 lbs [1,450 kg] of village ‘parchment’ coffee in 1948–49 [Hawksley 2001, 337]). Bourke and Finney both attributed the earliest plantings to ‘coffee patrols’ conducted in 1944 by wartime administrators, during which seeds were distributed to villagers. These were sourced from a government agricultural research station at Aiyura, near Kainantu, where experimental coffee had been planted in 1937, was bearing by 1939, and had already attracted the interest of local people by 1940 (Bourke 1986, 101). Bourke concluded that village coffee in the Eastern Highlands commenced in 1944, not 1952, predating the first European plantations and laying foundations for the modern industry (*ibid.*, 102–103).

In any case Gorokan take-up of coffee was rapid. A boom in plantings was reported by 1955, even though formal extension effort had commenced only in 1952 (Finney 1973, 64). Finney praised the

energy and tact of early extension work, which targeted ambitious individuals. His account is consistent with Bourke's conclusion that the indigenous planting boom was not simply the product of formal extension but flowed from certain 'antecedent conditions'. These included 'familiarity with the crop and some very modest returns to a few leading men who had planted it during the [war] period; the experience of men who had seen the crop whilst working as labourers at Aiyura; and the example of pioneering expatriate planters' (Bourke 1986, 103). Finney emphasised the importance of prestige-seeking behaviour among early adopters, burnishing the credentials of their descent groups through coffee and enhancing personal leadership positions—early instances of Gorokan economic hybridity.

Whereas Bourke emphasised indigenous autonomy in expanding coffee and Finney credited settlers, Downs pointed to the role of government. The decision to make coffee an important commodity and to involve native people was taken—in a corner-cutting initiative—by field staff. It began, 'without reference to central Administration or to the headquarters of the Department of Agriculture', which still lacked expertise in the field. Meanwhile, the 'expectations of the highland people were high, and time was too valuable to wait for official approval' (Downs 1980, 180). In an exercise later cited as evidence of 'partnership' between Europeans and Gorokans, white planters built up seed stock by obtaining coffee seedlings, both for their own use and for distribution to Gorokan neighbours. Among their motives was that this would 'lay the foundation for future coffee-trading when village trees came into production' (*ibid.*).

Finney credited the first Agricultural Officer in the district as contributing to coffee's widespread dissemination. When Robert Cottle arrived from Aiyura in 1952 with a brief to develop passionfruit cultivation he soon recognised constraints limiting its potential as a smallholder crop. Instead, Cottle 'chose, on his own

initiative, to promote coffee in the remote areas of Goroka' and laid the foundation for its mass adoption. His extension methods departed radically from pre-war practices of compulsory planting and communal responsibility (as seen in Papua's unsuccessful 'village plantations' [Ch. 10]). As also happened with cocoa on the Gazelle (Ch. 18), Cottle convinced leading men to pioneer the crop voluntarily, providing them individual guidance (Finney 1973, 59–61). Less adventurous men would adopt coffee later as the crop's potential became better understood, but the first-mover advantage gained by leaders was in many cases sustained. As also with Gazelle cocoa this had longer-term implications for economic inequality, flowing directly, whether or not advertently, from agricultural extension.

Land for planters and roads for their coffee

Although controls imposed on residence in 1936 remained formally in place, by 1952 'there were already enough potential European settlers in the highlands ... to make the facade of settlement restrictions threadbare of either moral virtue or administrative effect. Pressure grew for limited European settlement to be permitted' (Downs 1980, 178). Downs' use of 'facade' is revealing. It directs attention to the arbitrary bureaucratic processes—personalistic rather than Weberian—which enabled a group of 'administration officers, prospectors, aviators and other "old New Guinea hands"' (Finney 1970, 119) to live in the district 'essentially squatting on land that they were not permitted to own' (Hawksley 2005, 10). Downs blamed JK Murray in Port Moresby for lacking the 'personal force' to stop this, though Murray's difficulty may have stemmed from the personal interest of some of his field officers in seeing settlement flourish. The Latin maxim *quis custodiet ipsos custodias* suggested the moral ambiguity of this situation (Hawksley 2001, 407).

The ‘ownership’ of land was another grey area. In the beginning, ‘Europeans with an eye for the future ... used their knowledge of the local area and their kudos as *kiaps*¹⁷ and squatted on land that looked promising for future agricultural enterprises’ (ibid., 336). Pointing to the absence of bureaucratic process, Finney alleged (1970, 121) they ‘were able to use their local influence as *kiaps* to buy land directly before regulation’. This refers to the ‘direct application’ system, by which customary landowners could be approached by land-seekers in ‘an ad hoc and highly personalised manner’ without initial resort to authorities (Finney 1973, 46). Efforts to regularise this after 1949 involved the administration’s purchasing land and granting 99-year leases. Consent by landowners and an examination of their present and future land needs were supposed to occur before such transfers, though the latter test was not applied systematically. Available areas were often in ‘no-man’s land’ between the territories of enemy groups so that many plantations were located in ‘buffer zones’ and European settlement was dispersed. Peace emboldened villagers to move from high ground to valley-bottom positions which, aside from reigniting old land disputes, revealed that ‘vacant’ land was scarcer than early European settlers had supposed. As Downs remarked (1980, 175), ‘pacification of the highlands had allowed the people to turn back and “recolonise” their own land’.

What Finney (1970, 119) called ‘this trial period’ ended in 1952 when the prohibition on European residence was lifted. By then some half a dozen plantations totalling about 350 acres [140 ha] had been started in and around Goroka, but when the area was opened for public application and Jim Leahy secured a high price for his first crop, ‘the scramble for coffee lands began’. The ‘land rush of 1952–54 ... resulted in the alienation of dozens of agricultural properties in Goroka, totalling some 3,550 acres, a 10-fold increase over the acreage alienated during the previous

¹⁷ *Kiap* (*Tok Pisin*): a government patrol officer.

three years' (*ibid.*, 20). Downs listed 26 Europeans for whom landholdings were registered between 1952 and 1954 although 'hundreds of applications were turned away ... and the gate was firmly shut before the present and future needs of the people seemed threatened' (Downs 1980, 179).

Even at the time there was disquiet. Finney commented that although the area was small, 'the incongruity of allowing such rapid alienation of land to continue ... in a region where local population densities of several hundred people per square mile were not uncommon' and at a time of global decolonisation, 'did not go unnoticed' (Finney 1970, 120). The matter had become politicised in Australia and Hasluck admitted to having his 'suspicions ... aroused by a certain glibness in talk about "economic development"' in and around Goroka. He formed the view Downs 'had become a promoter of settlement'. Hasluck had created a land settlement board in Port Moresby in 1952 to assure a centralised approach to land administration, but this 'was being side-stepped'. Instead, 'we were back to the days of "Have a yarn with the district commissioner and he will fix you up"' (Hasluck 1976, 120–121).

Hasluck's account reflected his commitment to dual development. 'What was happening ... was that the Europeans were getting all the best coffee land ... [while] it was doubtful whether the needs of the heavy native population for nutrition, health and social welfare were being fully foreseen and properly protected'. In 1953 he imposed a slowdown on acquisitions, directing more attention be given to agricultural extension. By October 1954, despite public criticism and bureaucratic inertia, Hasluck had reaffirmed the principles of land policy asserted in the New Guinea ordinance of 1922 (West 1956, 307 and n2). This would involve allocation by public tender and procedures for assessing future landowner needs. 'Downs' personal views on how to achieve development and prosperity brought his regime into direct conflict with the policies of Paul Hasluck, the careful paternalism

of the Minister eventually winning the day' (Hawksley 2001, 352). Alienation in the district was effectively frozen. Only slight increases occurred after 1954, so that 'the locally held hegemonic view of how development should proceed was overturned by the centre' (Hawksley 2005, 12). Central authority was reasserted and orthodox bureaucratic practice re-established. The Goroka land rush was over.

Avoiding the embarrassment of one's superiors

An anecdote from 1939 gives precedent for the character of post-war Highlands administration. In what is now Simbu Province, 24-year-old Downs had used police power and guile to dispense rough justice in suppressing tribal warfare—action Gramsci would have seen as a necessary evil. As Downs remarked, 'the end justified what we had done ... I did not embarrass my superiors by seeking official support ... and [headquarters] was a long way from Kundiawa' (cited in Hawksley 2001, 293). This freewheeling approach was seen again, after the war, in the episode of Cottle's launch into indigenous coffee promotion—when 'time was too valuable to wait for official approval'. A more dramatic case was the construction of what later became the Highlands trunk road. Another instance of unorthodox, even aberrant administration, it amounted to a localised 'big push'.

Although not such a *contretemps* as the land issue, the road was a source of irritation to Hasluck. Early in his tenure he felt burdened by infrastructure deficiencies and inability to fund capital works. Roads were needed, but he was daunted by 'the magnitude of the claims' and the 'entrenchment of aviation'. He came up with a labour-intensive strategy, leading to 'a ministerial direction that each district commissioner was to be instructed to encourage and direct the building of roads ... gaining the cooperation of

the local people to provide the labour' (Hasluck 1976, 147–148). His intention was to build 'light roads' for jeeps and motorcycles, serving administrative and social welfare needs. Though Downs would later make contrary claims, Hasluck claimed credit for the initiative—despite an important difference between original conception and final outcome. In 1954 he had been incensed by a piece of boosterism from Goroka referring to an 'increase in volume of heavy traffic [on Highlands roads] created by the rapid expansion and development of this progressive district'. This flew in the face of a warning Hasluck had issued concerning the negative effect on indigenous morale, 'if heavy trucks run by Europeans in commercial ventures were to cut up the roads which we persuaded the villages to make for their own benefit'. His direction, that 'public use of the road has to be limited' (*ibid.*, 149–150) proved a counsel of perfection, beyond the Minister's capacity to enforce.

Downs' version of these events in the official history stated his own claim. The Highlands needed access to the port of Lae in time for an expected surge in coffee production. He was concerned to counter the monopoly of air transport operators, upon whom land-locked Goroka depended. Downs claimed to have persuaded Cleland, JK Murray's successor as Administrator, to approve efforts 'to *explore the possibility* of building a road from Goroka to reach the Markham Valley' (Downs 1980, 181, *emphasis added*; see also Figure 6, p. 151). In the event, the *exploration of possibilities* took a rather practical turn: 'details of highland road construction were not made public until after whole sections of road had been constructed'. While 'only the Administrator was kept fully informed of what was actually taking place', thousands of labourers were deployed to complete a motorable road of 272 kilometres east from Goroka into the Markham Valley, the gateway to Lae, within six months (*ibid.*, 181–183). The achievement was celebrated by a motorised re-enactment of the central Highlands east-west traverse

of 1933, in which a group of the original explorers—Taylor, Leahy and others, all now in coffee—were hosted by Downs. But the event spoke just as eloquently of the permeability of boundaries between public and private interests in Goroka.

What is incontrovertible is that the road from Mount Hagen, east to Goroka and on to the head of the Markham Valley, knitted together an emerging system of local access roads crucial to the region's economic development. The Highlands Highway would later be constructed on the carriageway of this 'exploratory' exercise. Meanwhile road haulage commenced within the Highlands, centring on Goroka, and airfreight operators were put on notice (*ibid.*, 181–185). Perhaps official suasion was effective, for airfreight costs remained essentially constant between 1953 and 1961 (West 2012, 86). Downs' developmentalist goal was secured and Hasluck's gradualism frustrated. Economic infrastructure was in place to support the entry of Gorokans to the international coffee market.

Downs resigned in 1956 to become manager of six Goroka coffee plantations totalling 400 acres, of which he was joint owner. He also became chairman of the HFSA and his departure may be seen as bringing the freewheeling period to an end.¹⁸ What followed was not any deceleration of development. Rather, the new policy of accelerated development caused the pace to pick up elsewhere in the 1960s, following the Goroka precedent. Downs later justified his resignation by citing the district's flourishing condition and his conviction that he 'had already stretched the powers and duties of a district commissioner to their elastic limit'. He would be better placed in the private sector to 'face the marketing problems that would have to be overcome before coffee could make much more possible for the Highlands people' (Downs 1986, 259–260). This formulation ('the Highlands people') should be understood in

¹⁸ See Hawksley (2001, 415, n74) for an interesting account of this career transition.

terms of a particular rhetoric for which Downs was responsible, an economic ‘partnership’ between Gorokans and Europeans.

The rhetoric of partnership

In the official history Downs constructed his road narrative in terms of a ‘partnership’ with Highlanders, a mutually beneficial enterprise in which ‘road construction became a community effort with growing evidence of racial partnership’ (Downs 1980, 182). He emphasised that payment was made to the ‘tribal groups’ conducting roadwork and to landowners for alienation of the carriageway, but that distribution of coffee seedlings and the promise of future marketing opportunities also secured compliance (*ibid.*, 182). Not all compliance was voluntary; Downs used some *kalabus* labour, transferring prisoners to a temporary road-camp (Cleland 2010, 25). Further, commentators who have described traditional Highlands leadership as despotic (e.g., Salisbury 1964) or have emphasised the power of big-men (e.g., Donaldson and Good 1988) would see traditional leaders as pressing their followers into service, while themselves benefiting disproportionately. Such considerations suggest the value of examining the notion of *partnership*, as promulgated in Goroka in the 1950s, and its implications for indigenous welfare.

Administrative style during Downs’ tenure was marked by this local rhetoric of partnership. A variation on the theme of ‘dual development’, it was at once a tacit admission that pretension to a ‘white highlands’ was anachronistic, and an accommodation to the precarious position of settlers amidst a dense and warlike population. More positively, Howlett (1973) believed partnership could be seen as acknowledging the economic interdependence of black and white while promising a shared prosperity. It may have been promoted as a riposte to Hasluck’s rollback of personalistic land administration in Goroka. The expression appeared late in

1954, in commentary by the Eastern Highlands District Advisory Council on Hasluck's new land measures. This consultative group (of which Downs was a member *ex officio*) noted that their 'implementation would stop the progress of the "partnership" that had been developing between Europeans and Gorokans' (cited in Finney 1970, 121–122). Again, in his Annual Report for 1954/55, Downs wrote that European settlers were 'a force for good'; they were 'far removed in outlook and tradition from the prejudices of the average coastal plantation manager'. They had 'developed a conscience in respect of the native situation', making possible 'a genuine and sincere Partnership [sic] between Europeans and natives' (ibid.). Capitalisation suggests reification, and *Partnership* became central to the rhetorical armoury of white Highlands planters for more than a decade, as well as being advanced again, a quarter-century later, in the official history:

'Development in the highlands brought Australian settlers and the people of the country together. In 1955 the Highland Farmers and Settlers Association (HFSA) was formed as a non-racial organisation in which national farmers became prominent ... The HFSA Charter begins "We have certain obligations as citizens and settlers beyond our own self interest ..."' (Downs 1980, 185).

Partnership had merit enough to persuade otherwise critical commentators that it was 'an impressive ideology', assisting Gorokans to engage with new economic opportunities (Donaldson and Good 1988, 72). Howlett (1973, 258) thought the idea 'probably appropriate', at least in the early years, because it recognised the generally positive relations of settlers with landowners and the demonstration effects and technology transfer flowing from their dispersion among villages. Finney (1970, 17) puzzled over whether to label partnership 'a cynical rationale for old fashioned land-grabbing'. In the end he accepted the sincerity of some of the

idea's proponents, the eagerness of many Highlanders to make land available and to cooperate with European 'neighbours', and the rapidity with which Gorokans embraced coffee cultivation. Hawksley's conclusion (2001, 348) was pungent. Partnership was 'an example of mass delusion as Australian administrators and settlers went to some lengths to deny that what they were engaged in was in any way colonial'.

As early as 1956 Francis West reported that 'an energetic administration in the Eastern Highlands District ... has tried to draw natives into partnership with Europeans in economic development'. West warned of the danger of disappointed expectations, 'caus[ing] despondency and indifference among natives who have been encouraged to enter this partnership ...' (West 1956, 310). Disappointments did soon occur, due to an emerging sense among Gorokans that 'the personal relationships with settlers that the Gorokans thought they were entering into when they sold their lands seldom turned out as they had hoped'. Gorokan economic achievements would become considerable in the aggregate, but individual Gorokans became increasingly aware of a 'gulf' between them and the Europeans alongside whom they grew coffee (Finney 1970, 129–131).

Finney described numerous cases of Gorokan dissatisfaction in commonplace dealings with Europeans, such as labour hire and vegetable sales, together with lingering expectations associated with their having surrendered land to settlers. Reminiscent of pre-colonial dealings between Seramese traders and Papuans on the western fringe of old Melanesia (Ch. 4), these might be seen as instances where the Maussian expectations of Gorokans shattered on the rock of Smithian contractual understandings held by Europeans. 'Sales' of land by Gorokans were hybrid transactions bearing a weight of expectation. They anticipated continuing relationships in which they might manipulate new European neighbours, much as successful Gorokan trade partners had always

sought advantage from traditional exchange relationships. Indeed, 'both the settler and the land-selling group were out to exploit each other but the settler because of his economic and political power usually had the upper hand when interests clashed' (ibid., 130). In practice, rules of engagement were determined by Europeans, acting on market principles of individualistic action, of which they were the masters.

Partnership, as defined by Downs and others, 'proved to be unrealistic' (ibid.) and conflict was inevitable. Finney reported that 'as early as 1957 settler-Gorokan relations had deteriorated to the point where the administration decided to investigate the situation'. Over the next decade there occurred 'a general estrangement between European coffee growers and their Gorokan neighbours', worsening as plantations changed hands and new owners felt little obligation to original landowners, and as European coffee operations became increasingly corporatised and impersonal. Larger corporate plantations, appearing from the 1960s, made 'a mockery of the idea ... that plantations in Goroka would be different from those of the coast'. Most Gorokans regarded such enterprises as 'a final betrayal of the promises of lasting "partnership" made or implied when they sold their land' (ibid., 130–132).

Donaldson and Good (1988) pointed to a later phase of partnership rhetoric, commencing soon after 1957 when it was clear relations were turning sour. This involved a few well-performing Gorokan entrepreneurs on whom HFSA 'deftly focused', enlisting them as a local bourgeoisie to act 'as bulwarks of the plantation system'. This was not so much an attempt to influence broad Gorokan opinion as to co-opt an emerging elite, who would 'oppose any disruption of the coffee industry through the breakup of the plantations' (ibid., 73). Finney discerned mixed motives, some Europeans still 'genuinely interested in seeing Gorokans advance', others regarding efforts to promote Gorokans as "'insurance" to protect their investments' (ibid., 132–133). Stewart (1992, 74)

described the HFSA as hoping to facilitate takeovers of mid-size formal plantations by Gorokans in order to prevent corporate interests increasing their dominance. But despite such hopes the HFSA 'remained a white dominated and white run group identified with the interests of European plantation agriculture' (Hawksley 2001, 417).

Ultimately Downs acknowledged the failure of partnership. Relationships soured because 'the fantasy of a genuine non-racial society was strained by *the commercial greed of both races*' (Downs 1980, 186, emphasis added). This conclusion may indicate the difficulty Downs experienced in accounting for the episode in the official history. Despite the mixture of idealism and calculated self-interest involved he exercised authorial privilege to attribute blame to both sides. The *partnership episode* suggests a need to examine the growth of Gorokan informal engagement in coffee growing and ancillary activities, and how this related to the larger, formal economy of Goroka dominated by settlers and corporate interests.

CHAPTER 22

Gorokans and coffee in the 'lucky place'

FROM 1945 AUSTRALIAN BUREAUCRATS in Goroka chafed under a program of post-war reconstruction in which the Highlands were accorded low priority. As reconstruction gave way to the new imperative of economic development, they showed themselves unwilling to accept the implications for their district of Hasluck's 'uniform' application of development effort. As a consequence, Goroka became the site of initiatives which anticipated later policies of 'accelerated' development. From 1947 to 1957, the Goroka district office:

'went out of its way to stimulate economic growth ... [achieving] a social transformation unlike any other area of PNG. It was done with a minimum of force, a maximum of effort by an understaffed and underfunded district administration, and the goal of progress was partly realised. By its own measures at least the Australian administration in the EHD [Eastern Highlands District] was successful in ushering eastern highlanders into the international economy' (Hawksley 2001, 423).

While my narrative may have personalised this process in the character of Ian Downs he is better seen as holding particular values and priorities in common with his predecessors and subordinates. These coloured the bureaucratic culture of a district which Europeans viewed as exceptionally promising. Entering the Goroka Valley in the 1930s early patrol officers and prospectors quickly recognised the physical elements of what Michael Lipton called a 'lucky place' (Ch. 3), including an apparent abundance of arable land. It is understandable that local administrators, smarting from perceptions of 'centralist' neglect, should have seen Goroka as ripe for economic development.

Fred Fisk saw colonial-era Gorokans as living in circumstances of 'subsistence affluence', a condition opportune for development (Ch. 5). His policies amounted, as Diana Howlett (1973) said, to 'modernisation via the addition of commercial crops to the traditional base of subsistence foodstuffs'. This would secure the Smithian 'vent for surplus', overcoming narrowness of internal markets by exporting product surplus to domestic requirements. Such a strategy would succeed only so long as surpluses of labour and land were available to fuel expansion. These resources amounted to what Hla Myint (1958, 330) called 'discrete blocks of surplus productive capacity being drawn into a widening circle of money economy and international trade'. In Goroka this process was seen in the areal expansion of coffee production, extending from Kainantu and Goroka through the Eastern Highlands and further west to Mount Hagen and beyond. The circle of market economic activity was widened, in accordance with principles emphasised by Peter Bauer (Ch. 3), by improving transport (feeder roads and the highway) and economic organisation. The latter goal required creating processing and marketing facilities and making imported 'incentive' goods available. Thereafter, if what Howlett (1973) called 'terminal development' were to be avoided, it would be necessary to secure improvements in productivity

based on ‘continuous improvements in skills, more productive recombinations of factors and increasing returns’ (Myint 1958, 321).

Gorokan leadership as seen by Finney and his successors

Almost all subsequent studies of coffee in Goroka are heavily dependent on the original accounts of Gorokan entrepreneurship by Ben Finney (1968, 1969, 1970, 1973, 1987). He acknowledged a debt to Fisk, whose ‘theoretical work on the importance of the way in which a people living in a subsistence economy become linked to the cash economy was most stimulating and I set out to document how the Gorokans had done so’ (Finney 1973, xvii). Later commentators have generally taken a less benign view of the process, but Finney had an implicit notion of Goroka as a ‘lucky place’ with a broadly advantageous experience of colonialism. This included the ‘relatively non-disruptive’ early contact, provision of infrastructure and (under the rubric of ‘partnership’) know-how and encouragement (ibid., 124–125). While Lipton (1984) emphasised both foreign capital inflows and the propensity of local people to save for productive investment as marking ‘lucky’ places, Finney gave more weight to the latter. Employing a trope analogous to Scarlett Epstein’s evocation of the Tolai people as ‘primitive capitalists’ (Epstein 1968), Finney thought Gorokans ‘pre-adapted’ to *bisnis* (introduced market economic activities) by reason of their savings and investment behaviour. He remarked ‘their ability to save their cash income, pool it, and invest it in various enterprises’. They proved to be ‘conspicuous investors’ (Finney 1968, 395–396) who ‘valued wealth highly, and sought the prestige that comes from accumulating and managing wealth’ (ibid., 398). In arriving at this conclusion he had been influenced by ‘the psychological work of McClelland [1961] ... on the relationship between the basic human

motive of need for Achievement [sic] and entrepreneurial growth and economic development' (Finney 1973, xiii).¹⁹

Finney's assertions reflected something approaching a late-colonial consensus on Melanesian social structures. These were seen as typically fluid, while traditional leadership was regarded as most commonly open and competitive (Conroy 1976, 13–18). Such views carried strong implications for prestige and leadership status, which could be seen as matters of *achievement* rather than *ascription*. Greatly influenced by the 'thoroughly bourgeois' Melanesian big-man depicted by Marshall Sahlins (1963), this consensus was evident in anthropological entries in the *Encyclopedia of Papua and New Guinea* by Langness, de Lepervanche and others, published soon before self-government (Hogbin 1973; P Ryan 1972).²⁰ Assuming a lack of centralised authority, Langness (1973, 153) thought 'such authority that does exist is most often based on personal authority' while de Lepervanche (1973, 22) asserted that: 'Although leadership is everywhere achieved in competition with rivals, the nature of the competition varies. And depending on the enterprises to which male prestige attaches, the role of big-man varies.' Finney adopted a more singular focus, reflecting his judgement of 'the enterprises to which prestige attaches' in Goroka. These were introduced forms of *bisnis* activity whose success yielded renown, both for leaders themselves and for their followers persuaded to contribute labour, money and even land to activities conducted under an ideology of group enterprise (Finney 1973, Ch. 5).

Finney's position, that Gorokan societal norms were favourable to the emergence of entrepreneurs due to a 'high degree of achieved status mobility' (*ibid.*, xix), provides us with the *entrée* to a 1970s

¹⁹ His partner Ruth Finney pursued this theme further with a study in the genre of 1960s 'modernisation' theory based on surveys of PNG school children (RS Finney 1971).

²⁰ The *Encyclopedia* anthropological entries are more accessible in the volume edited by Ian Hogbin (1973).

debate inspired by French structural Marxism. Radical scholars who rejected Finney's analysis (while trawling through his data) sought to discern an indigenous class structure within Melanesian 'traditional social formations'. This required them to discredit the late-colonial consensus and to show evidence of an emergent capitalist class whose status (and opportunity for economic success) rested on principles of ascription (see, for example, Donaldson and Good 1981, 1988). This would have implications for new forms of social stratification and wealth distribution. They thought this emergent class already evident by the late colonial period so that further economic growth in the new era of Independence could only magnify its wealth and political influence.

Finney's view of capitalist accumulation was complacent. Together with an implicitly meritocratic view of entrepreneurial success, it reflected his tolerance of economic inequalities generated by development. Although Donaldson and Good (1988), like Finney, saw traditional leadership as the precursor of modern entrepreneurship, in other respects their analysis was very different. Whereas Finney declared Gorokans 'pre-adapted' to accumulation, Donaldson and Good seem to have regarded them as pre-adapted to class warfare. Their argument was unpersuasive, insofar as they failed to show that mechanisms for the intergenerational transmission of status and wealth, a necessary condition for the emergence of a continuing rural capitalist class, were present in pre-contact societies.

Donaldson and Good scoured the anthropological literature, settling on a congenial case from the Western Highlands to illustrate their thesis. In Mount Hagen, class formation was 'more than embryonic', and in 1930 the efforts of 'rising powerful leaders' were 'directed towards expansion and accumulation' and 'ultimately embraced ... *action in favour of the formation of what was in the process of becoming a nascent class certainly of big men but perhaps of hereditary chieftains*' (ibid., 25, emphasis added). This generalisation, as tentative as it

is questionable, provided only pallid support for their proposition that the foundations of 'indigenous rural capitalism' were to be found in the social structures of traditional society. By comparison Rolf Gerritsen (1979, 48) while similarly selective in his choice of anthropological evidence, was more robust in asserting that the evolution of rural capitalism 'had a strong element of inherited advantage, a mechanism that predated the international capitalist economy penetration of the supposedly egalitarian Melanesian societies'. He felt confident to assert that 'this factor of inherited advantage ... is becoming permanent'.

Fitzpatrick (1980) enlisted the HFSA to the cause, observing that 'with political independence on the horizon the colonist promoted hopefully compliant bourgeois class elements by building on hierarchies and inequalities within resident social formations' (*ibid.*, 15). However Fitzpatrick also left the essential question unanswered—whether mechanisms existed for the intergenerational transfer of private entrepreneurial status (although he did suggest that Western education would enable the children of entrepreneurs to enter state employment). By contrast, MacWilliam eschewed analysis of capitalist accumulation in terms of sociological abstractions (see MacWilliam 2013, 230, n66) in favour of a determinism in which motive force was provided by the 'external authority of capital'. In similar vein Hawksley (2001, 2005) employed an analytical framework of 'administrative colonialism' whose purpose was to create conditions 'safe for capital'.

Marxian commentators had in common distaste for Finney's individualistic values. But his analysis was not exclusively individualistic for (as mentioned above) Finney also took account of prestige attaching to groups, whose standing could be enhanced by the achievements of individual members. Late-colonial Gorokan investment behaviour demonstrated hybridity, in that (for example) no great prestige attached to the accumulation of working capital. Gorokans sought instead to possess the visible, prestigious markers

of success—coffee groves, trade stores, trucks and processing equipment—and the group took pride in their accumulation by individual members. Finney emphasised the capacity of big-men to mobilise finance and labour from their followers, invoking customary ties in support of projects seen as bolstering the solidarity and prestige of the group. Nonetheless, as the experience of ‘business groups’ incorporated under the legislation of 1974 suggests, big-man entrepreneurs in the hinterlands of Goroka and Rabaul were not above parlaying their influence into projects for personal enrichment (Ch. 19).

A number of writers stimulated by the challenge of Marxian narratives re-examined the achievement/ascription debate towards the end of the 1970s (including Standish 1978, Brown 1979, Chowning 1979 and Douglas 1979). With the exception of Paula Brown—who took a position consistent with the Finney ‘line’—these reappraisals were not so much a rejection of the late-colonial consensus as an effort to rebalance the argument. Despite its appearance in a modest, mimeographed format the paper by Bill Standish was particularly influential. Like Brown, Standish was principally concerned with the Chimbu district (later, Simbu Province) located immediately west of the Eastern Highlands, although his characterisation of Chimbu leadership differed substantially from hers. She appeared to be defending her own turf: a return visit in 1976 had ‘substantiated [her] view that competition is the active binding force of Chimbu society’ (Brown 1979, 100), in which ‘there was no true stratification or much inherited advantage’ (*ibid.*, 103).

Controversy was only implicit in Brown’s account whereas Standish was direct: “Political economists” are examining the penetration of capitalism into the country during and since the colonial era, but the analysis of political culture is just as important. Indeed the two modes of analysis complement each other, showing the way the continuity of past modes of behaviour can allow a

receptive environment for alien modes of production' (Standish 1978, 31). Here, 'political culture' is shorthand for whatever ideology is held to explain leadership and Standish's reference to 'modes of production' suggests a willingness to continue the debate on neo-Marxian premises. Bronwen Douglas rejected this position, arguing that 'leadership in societies in New Guinea and surrounding islands' is 'best differentiated in terms of relative emphasis on ascribed status and/or ranking of descent groups or their segments rather than on the basis of *distinct structural categories*' (Douglas 1979, 5, emphasis added). Douglas also suggested 'the historical situation should where possible be distinguished from the "ethnographic present"'. Similarly, Ann Chowning (1979, 66) cautioned that 'professional anthropologists usually arrived only after indigenous patterns of leadership had been drastically altered, and so relied heavily on accounts of a past state of affairs'.

Many contributors to the discussion have made this point, referring to the impact, sometimes traumatic, of colonialism on traditional societies and the emergence of new forms of political power and economic opportunity. These new forms had implications for the exercise of leadership and entrepreneurship in the colonial and post-colonial contexts. Both Brown and Finney were interested primarily in those contexts (and had studied culture regions—Chimbu and Goroka, respectively—in which the case for a conjunction of achieved leadership and entrepreneurship might plausibly be made). Such situations can be generalised: '*When leadership is based on achievement the pattern tends to be similar throughout Melanesia [and] ... the realm in which achievement is most stressed is economic ...*' (ibid., 71, emphasis added).

Douglas (1979, 2) wrote from a comparative, Melanesian/Polynesian, perspective, starting with Marshall Sahlins (1963) and his 'two abstracted sociological types' of political leadership. She warned against 'regional stereotypes', pointing in particular to the generalisation-defying diversity of Melanesia. Thus 'achievement-

oriented societies of the region often also demonstrated the operation of ascriptive principles in some social contexts and at some levels of segmentation; while in coastal areas there were many societies with a bias towards ascription'. In the face of this diversity anthropologists have too often come up with 'essentially static' models which have tended to ignore 'the interrelationship between ideology and practice in particular social settings'. This sometimes produced normative constructions of reality (ibid., 4–5). Readers might see this tendency in positions taken by both formalists and Marxians in the ascription/achievement debate. The same charge might be levied against me, although my position is reasonably robust in the 'particular social setting' of Goroka. Nonetheless, reappraisals of what I have called the 'late-colonial consensus'—by Chowning, Brown and Standish as well as Douglas—demonstrated the perils of generalisation in this rather fraught area.

Advance of the Gorokan smallholders

Soon after the Pacific War and into the 1950s coffee faced just such 'promising and elastic' markets as Lipton (1984) had described, and Gorokans adopted the crop eagerly (Bourke 1986). Their success would not have been possible without Hasluck's adherence to the principles of 'dual development' and his determination to prevent the destruction of Gorokan village life by any privileging of capitalist production (MacWilliam 2013, 5–6). Compared with the practice of an earlier German administration in the hinterland of Rabaul, land alienation in Goroka was conducted with greater regard to the future needs of village populations. As Gorokans became engrossed in coffee they soon ceased offering for contract employment. Before long local demand for wage labour (both on European plantations and larger smallholdings established by some enterprising Gorokans) was filled largely by migrant workers from other, less 'lucky' places.

There were some Gorokan seasonal workers from the 1950s, especially women 'who combined self-employment in cash crops at home with casual plantation work nearby ... [and] took advantage of higher rates of pay for forms of piece-work during the seasonal harvest of crops such as coffee ...' (Downs 1980, 165). In the communal savings movement known as *Wok Meri* (*Tok Pisin*, 'women's work'), which flourished during the late colonial period, women met to pool the proceeds of market or coffee sales and earnings from casual labour. Finney (1987, 53) commented that this reflected resentment of 'the near monopoly by men of coffee-money and business', while Lorraine Sexton (1982, 196) described it as 'a collective effort to redress women's grievances'. She saw their activities as 'building on traditional structures, selecting elements of Western economic institutions, and creatively transforming both'.

In a hybrid ritual, relationships between savings groups were cemented by 'exchanges mimicking traditional marriage payments' (ibid., 167). In a group's early phase loans between members established mutual confidence, after which they invested jointly. Again suggesting hybridity, success in *bisnis* was thought to require not only hard work but also adherence to prescribed ritual, while ceremonial and the accumulation of money were sources of group prestige (including *vis-à-vis* husbands and their lineages). By the end of the 1970s groups had invested in plantations and coffee-buying, retail and wholesale stores and a leased truck (Sexton 1982). However in many cases women had 'turned the operations over to their sons, who tend to be poor managers' (Sexton 1983, 138). At Independence few individual women had significant business interests although thousands—as producer-sellers—earned modest incomes from sales of staple foods and 'European' vegetables.

Expansion of indigenous coffee in Goroka was among the earliest manifestations of the later, widespread adoption in the Highlands. Finney reported Gorokan production at 100 tons in

1958–59, worth almost \$41,000.²¹ As young trees fruited output rose rapidly to 2,500 tons by 1967–68, worth more than a million dollars (Finney 1973, 68). Gorokans had planted almost 2 million trees by 1962, rising to some 3.5 million only three years later and to 4.5 million by 1967. This occurred in a period of active official discouragement of indigenous plantings (discussed below) during which government effectively lost control of smallholder coffee. In 1967–68, as a growing proportion of these trees came into bearing, Gorokans produced an estimated 2,500 tons of parchment coffee, amounting to more than 12 per cent of all PNG production. Indigenous smallholder output quickly challenged the formal, European plantation sector. At the national level, ‘by the late 1950s the acreage planted to coffee on smallholdings exceeded that on plantations, and within a few years output from these bushes surpassed the crop harvested from large holdings’ (MacWilliam 2013, 180–181; see also table 5.1). ‘From 1966–67, when smallholders were producing 10,600 tons, to 1975–76, when they produced 29,900 tons, the growth of smallholder production was about 12 per cent per annum’. Average plantings were 450 trees per smallholder in 1977 and more than 200,000 indigenous growers were responsible for over 70 per cent of the national crop (Stewart 1992, 28).

The structure of the industry in the Eastern Highlands on the eve of Independence may be seen in data for 1972–73. Some 45,000 indigenous coffee growers were reported as cultivating over 5,000 ha (a mean of 0.11 ha per holding) and producing more than 6,000 tons of ‘green bean equivalent’. Averaging about 140 kg this was ‘a very small volume of coffee per household’. In that year the mean household return was about \$45 (Stewart 1992, 54). While

²¹ The Australian Pound (£A) circulated in Australian Papua from 1910 and in the former German New Guinea after 1914. With the decimalisation of Australian currency in 1966 the Australian dollar (converted at the rate of £A1 = \$2) circulated in PNG until 1975, when the kina (PNGK) replaced it.

such returns were small, they provided some cash to households still embedded within subsistence agriculture. Dispersion of incomes was substantial as larger indigenous operators had emerged, and income inequality was reflected in their demand for wage labour. In the 1970s, of some 11,000 paid labourers on coffee holdings perhaps 30 per cent were outside the formal plantation sector (*ibid.*, 50). Workers were employed informally by Gorokan big-man entrepreneurs, some of whom the HFSA had recruited as members from the late 1950s.

Hasluck's dogged support for dual development moderated the growth of a capitalist plantation sector while offering opportunities for synergy between planters and smallholders. Aside from any altruistic considerations of 'partnership', active encouragement by planters of their Gorokan neighbours' plantings during the early boom reflected their own interest in coffee trading. Early planters provided essential and profitable marketing and processing services until sufficient scale was realised to justify the creation of specialised, corporate intermediaries. These began to emerge from 1959. Growth and elaboration of 'downstream' activities—not seen as an immediate threat to the integrity of village life and in any case essential for the viability of smallholder coffee—was a phase of capitalist development which proceeded without hindrance from official policy during the 'uniform' development period.

Advance of the Gorokan entrepreneurs

Goroka, the first town in the Highlands, became a transport and marketing hub. An indigenous population gathered and at the census of 1961 these urbanites numbered almost 1,100, growing to 3,900 in 1966, then increasing with astonishing rapidity to 10,500 by 1971. Despite their both being 'lucky places', Goroka and Rabaul differed in an important respect; Chinese traders played no role in acculturating Highlanders to market dealings

comparable with their impact on the Gazelle. The confrontation implicit in Downs' reference to 'greed' (Ch. 21) was played out purely between Gorokans and Europeans. Meanwhile, growing economic differentiation among Gorokans provided further potential for conflict, as some entrepreneurs adopted increasingly larger and more formalised modes of *bisnis*. The town developed a diversified economic base, founded on administration and private sector activity serving the agricultural and consumer needs of a thriving hinterland. Rural-urban economic links stimulated heavy vehicular traffic flows, including to and from the town's thriving urban produce market, where female 'producer-sellers' were responsible for most trading. By 1968 Goroka had a European population of more than a thousand and Ben Finney commented on the continuing dominance of expatriate commercial interests. Financial services, airlines, long-haul trucking, urban retail and wholesale trade, motor vehicle distributorships, timberyards, hotels, and other major urban businesses were all in expatriate hands. 'In short, all major commercial firms are owned and controlled by Europeans ... Even in the coffee industry, where Gorokans have made their greatest strides, European firms and businessmen dominate' (Finney 1973, 159).

Rowley described late-colonial PNG as 'obsolescent' (Ch. 12), a term he also applied to the Highlands region in the wake of Hasluck's crackdown on land alienation:

'Probably the whole episode of white settlement in the Highlands, as a piece of administration, may be summed up as an anachronistic attempt to get capital invested in the middle of the twentieth century, in accordance with principles more applicable in its first two or three decades. The limiting of this obsolescent pioneering exercise in the unfavourable political climate of the mid-century probably marks the end of substantial white settlement on village lands' (Rowley 1965, 121).

Despite this Rowley believed European enterprise had a continuing role. 'For the sake of New Guinea's development one hopes that [the end of land alienation] will not set limits to the investment of Australian private capital. The logic of the situation suggests that the New Guinean should be the grower of export crops on his own land; and that expatriate private capital should find its field for investment in processing and finance' (ibid.). This was a common European view. According to Finney, in the late 1960s:

'many expatriate[s] ... had expected to remain in control of their plantations, coffee factories, and exporting firms for at least the foreseeable future. They did not reckon ... on Papua New Guinea's rapid evolution to complete independence in 1975, or on the equally swift way in which the new government would push for the localisation of the expatriate sector of the coffee industry' (Finney 1987, 23).

Rowley's 'logic of the situation' took too little account of an emerging, more urgent reality; in parallel with the growth of expatriate-controlled downstream activities, another form of capitalist development was occurring. Increasing economic differentiation among Gorokans was producing new entrepreneurs with the wind of political change at their backs. While some 80 per cent of all indigenous adults were engaged in coffee, mostly for very small returns, younger men were finding it increasingly difficult to find land for coffee. Meanwhile substantial inequality in plantings was also reflected in access to other productive assets. Emergent, quasi-traditional big-men, whom Finney (1973) called *bikfela man bilong bisnis* ('big-men' or 'business leaders'), were not content simply to grow coffee. They were preparing to challenge European commercial dominance.

In 1967 Finney selected ten prominent Gorokan entrepreneurs for study. His analysis of these big-men has been subject to several reconsiderations, in which they were dubbed 'rural capitalists'

(Gerritsen 1979), ‘rich peasants’ (Donaldson and Good 1988) and ‘members of the indigenous bourgeoisie and would-be bourgeoisie’ (MacWilliam 2013). As against a district average of about 450 trees, they had mean plantings of some 9,000 trees in 1968. They had also diversified into trade stores, trucking, cattle and restaurants, earning annual incomes of between \$4,000 and \$10,000, when Gorokan per capita cash income was perhaps \$25 (Finney 1973, 85). Gerritsen’s ‘rural capitalists’ were distinguished from coffee-growing ‘big peasants’ by earning a significant proportion of their cash income from non-agricultural activities. MacWilliam’s ‘indigenous bourgeoisie’ shared an interest in ‘acquir[ing] plantations being vacated by departing expatriate owner-occupiers and international firms’. ‘Rich peasants’ were becoming ‘a new class of rural capitalists’ and (in class analysis logic) ‘the existence of the rich peasants requires the existence of middle and poor peasants’ (Donaldson and Good 1988, 105). In each of these three ‘post-Finney’ studies an opposition is posited between a rural class consolidating and ‘formalising’ itself as recognisably capitalist, and other, lesser growers called here *informal* smallholders. The latter group in Rabaul, described by MacWilliam as producing for ‘immediate consumption as well as markets’ (Ch. 19), had their counterparts in contemporary Goroka.

Almost all of Finney’s ‘business leaders’ were active in the new political institutions. Together with newer men they would take advantage of access and information acquired in politics to benefit from economic opportunities arising in a rapidly changing environment. The election of Pangu Pati to government in 1972 and the redistributionist rhetoric of the Faber Report (discussed in Ch. 25) increased uncertainty among foreign plantation owners, leading many to divest, while the emergence of new formal modes of indigenous investment facilitated the takeover of expatriate-owned assets. Even before 1974, when the *Business Groups Incorporation Act* offered Gorokans a simplified model of incorporation, individual

business leaders had been trialling formal modes. They took shares in expatriate-owned enterprises or formed limited companies to acquire them (often with guidance from expatriates seeking to divest). Whereas these were formal modes of investment, the new 'business groups' could be seen (Fitzpatrick claimed) as 'an innovative development of the capitalist mode, and of the capitalist company form, to Papua New Guinea ways or to the persistence of traditional social formations' (Fitzpatrick 1980, 231; see also Ch. 19). Necessarily hybrid, these new entities served as vehicles for politically-astute Gorokans to advance personal interests.

Fitzpatrick was disillusioned to see business groups captured by big-man leaders (as also occurred on the Gazelle) deploying political influence to create 'a type of group capitalism which somehow managed to favour them in particular' (ibid., 233). Similarly, MacWilliam remarked that 'central to the formation and operation of many of these enterprises were powerful politicians, who could attract investors from among local populations and facilitate access to state resources' (MacWilliam 2013, 233). He concluded 'an increasingly prominent indigenous bourgeoisie acquired a substantial hold upon state power just as the state was being reformed to accommodate self-government and national independence' (ibid., 243). A Plantation Redistribution Scheme (PRS) operating from 1974 provided opportunity for business leaders, heading formalised business groups styled as 'development corporations', to bid for European coffee assets. The PRS also aroused hope among smallholders and landless men; ensuing debates over land redistribution were often framed in terms of 'equity' versus 'efficiency'.²² Development corporations asserted the equity of their claims (in terms of having numerous smallholder member-beneficiaries) but also their efficiency—undertaking to maintain plantations and other productive assets as modern

²² See, for example, the contributions by McKillop and Lawrance in Walter (1981).

profitable entities, managed professionally by expatriates. The latter was an important consideration for a new government nervous about loss of export income. With their claims resting simply on equity, 'poor peasants' found it difficult to prevail. Some landowner groups were unable to mount credible bids to regain ancestral lands, due to inadequate organisation and lack of capital. Civil disturbances ('tribal fighting') in the Highlands from 1974 seem to have reflected such frustrations. The PRS was discontinued in 1980, after Independence, by which time indigenous ownership of plantations in the Eastern Highlands was substantially complete.

A frost in Brazil in 1975, leading to high international prices, enabled recently acquired plantations to be paid off quickly. This good fortune entrenched the positions of a number of leading entrepreneurs. Acquisition of 'bankable' collateral increased their access to formal finance, enabling further diversification of interests. Such ventures included 'crop processing and export, transportation, trade, urban real estate and other areas of commerce'. Some adopted holding company structures with expatriate participation, hiring foreign management and professional services. These gains were enabled by 'representatives of the class and its small business allies gaining political power'. Power gave access to information, and to state allocatory mechanisms. The establishment of provincial governments after Independence and devolution of authority delivered decision-making in Goroka into the hands of this rising class (MacWilliam 2013, 233; 2016). It does not require acceptance of Marxian analyses or the prescriptions flowing from them to acknowledge the force of such arguments, or to see how rent-seeking among the new class would motivate their take-up of opportunities created by political change. Events reflected the political economy of the period and established a trajectory for future accumulation by individuals in the independent State.

In his retrospective account of Gorokan business achievements and prospects (based on a return visit in 1986) Ben Finney was

untroubled by the evidence of inequality in access to income and productive assets resulting from these events. Instead, although disquieted by Gorokans' continuing reliance on expatriate management expertise, he emphasised the still-modest consumption habits of a number of the early business leaders and their continuing genuine concern for the distribution of gains to followers. But where Marxian commentary focused on the coalescence of family-based business fortunes Finney was more inclined to see evidence of intergenerational failure in transmitting wealth (Finney 1987, 33–37). This important question will be discussed further in Chapter 24.

By the end of the colonial period Gorokan modes of engagement with the market economy had become diverse, with varying degrees of formality and informality, as between smallholders and those called here 'big-man entrepreneurs'. In most cases it was still possible to observe evidence of continuing hybridity—that uneasy coexistence of market dealings and traditional norms—in the management of such affairs. The next chapter considers how formality, informality and hybridity manifested in Gorokan coffee during the run-up to Independence in 1975.

CHAPTER 23

Formality and informality in the coffee economy

THIS STUDY IS an ‘informal’ economic history, presenting in this chapter a case study of the emergence and character of economic informality in Gorokan smallholder coffee. Except for the need to explain certain implications for Gorokans of international trade negotiations and coffee processing and marketing arrangements from the late 1950s, it is not an account of *formal* industrial organisation. Against the background of men’s and women’s forays into *bisnis* it considers what ‘formality’ and ‘informality’ meant in Goroka at Independence.

From the introduction of market exchange in the 1940s and under pressures of colonial bureaucracy Gorokans accommodated themselves to cultural norms of ‘the market’. Coffee changed modes of livelihood and social organisation; the need to adjust led many to cope by engaging in informal economic activities. The uneasy conjunction in their lives of market dealings and traditional norms also led people to engage in behaviours exhibiting hybridity. In the Gorokan context informality should be seen as encompassing not only distinct rural and urban categories but also rural-

urban relationships. These were not central to Hart's account of informality in Nima (1971, 1973, and as discussed in Chapter 2) but the Faber Mission adopted a more inclusive definition. In mapping the PNG informal 'sector', Faber & Co. bundled indigenous urban and rural subsistence and cash activities together under the heading of informal activity (Ch. 26). This was appropriate in 1970s Goroka, where livelihoods of smallholders remained grounded in rural subsistence while the town served as the fulcrum around which their informal cash-earning activities revolved.

Gorokan coffee has been characterised as 'household commodity production' by Stewart (1992) and others, a concept arising from the preoccupation of 1970s neo-Marxian theory with relations of production within particular social formations. Earlier anthropological theorising was condemned as 'unbalanced by ... a concentration upon exchange rather than production relations' (Donaldson and Good 1988, 12). Household production is also central to the analysis here although a formality/informality framework governs my argument. Exchange is of continuing significance insofar as distinctions between Maussian and market exchange are essential to understanding the phenomenon of economic hybridity. Gorokan smallholders engaged in *rural* informal economic activity, in a manner shaped by what Hart (1987) called their 'partial institutionalisation' to the 'prevalent economic model'—one of economic development in a capitalist economy. Behaviour consistent with that model constituted formality, whereas 'palpable discrepancies' seen in real life (reflecting the messy reality of their adjustment to 'the market') revealed informality.

'Discrepancies' occurred when Gorokans attempted to cope with a host of economic innovations, all governed by an imposed, regulatory framework and an unfamiliar commercial culture. In Goroka, where market economy was incompletely institutionalised, indigenous pushback against colonial economic orthodoxy produced such discrepancies—departures from *form*—as Hart

had anticipated. Disruptive innovations to which Gorokans were exposed included the introduction and elaboration of monetary exchange, wage labour, technical change in agriculture (most notably, the introduction of a perennial tree crop into a system of shifting cultivation, disrupting traditional land tenure arrangements) and the emergence of related 'off-farm' activities in marketing and services. Following a process which had proceeded much further in the Rabaul hinterland, most Gorokan households were building on a relatively secure subsistence base to earn cash informally by gardening and the sale of traditional crops, introduced vegetables and livestock, by production and post-harvest processing of coffee, and by ancillary activities including trade stores, trucking and seasonal paid labour. Households acquired 'portfolios' of economic activity, multiple sources of livelihood.

Women took casual work on plantations, working also at household vegetable growing, pig husbandry and coffee gardens. Just as the earlier 'efflorescence' of exchange had revealed limits to subsistence affluence in terms of demands on female labour (Ch. 13), commercialised economic activity also imposed strains on women. In this environment a monetised regional economic system was emerging on a pattern familiar from the Gazelle. There Salisbury and the Epsteins had found a rural informal economy well articulated with its urban centre. An observation made of the Tolai would become increasingly true of Gorokans: 'What is most significant for an understanding of the Tolai's adaptation to modern conditions is the way many are able to combine a number of these activities at the same time' (AL Epstein 1969, 189). Smallholders juggled time against obligations, displaying agency by 'working and trading outside or at the edges of formal economic and political institutions' (Vorley et al. 2012, 3).

It is intriguing to ask why Gorokans adopted informal modes of action when exemplars of formal economic activity, European plantations and businesses, were close at hand. The answer is

relatively straightforward where smallholder and plantation production operated side by side, as with coffee. Notionally, all were engaged in a single ‘industry’, though operations varied greatly in terms of variables such as scale and capital-intensity, sources of capital, relationships with downstream entities, use of purchased inputs, conditions of land tenure, and the sources and conditions of employed labour. In neoclassical economics a ‘production function’ for a single-product industry specifies the maximum output obtainable for each feasible combination of inputs. A mechanistic formulation, this abstracts from technical and managerial issues associated with ‘best practice’ production. Just such issues arise, however, in explaining the diversity observable within an ‘industry’ such as coffee in the Highlands in the late colonial period. It comprised production units ranging from households producing coffee as a sideline while still anchored in subsistence, to capital-intensive and highly professionalised plantations within vertically integrated corporations.

Leaving aside quantifiables such as capital- and labour-intensity, diversity within the ‘industry’ derived primarily from qualitative considerations, or ‘quasi-traditional’ conditions of production, such as use of family labour and/or informally contracted labour, location on land subject to traditional tenure, and the hybridity associated with household coffee production. The ‘industry’ comprised an array of producers ranging from Maussian households to Smithian conglomerates, the latter with continuing expatriate participation. It could not be called a producer ‘community’, since these disparate entities did not share the motivations assumed by the neoclassical behavioural construct of ‘profit maximisation’. Instead we observe an ‘industry’ with varying degrees of formality and informality, located on either side of a basic divide between formal plantations and smallholders.

By 1975 some Gorokan business leaders engaged in a range of business activities. These included coffee plantations larger and

more highly capitalised than the mass of Gorokan smallholdings, whose establishment signalled their intention to bridge the divide between smallholders and planters. Some leaders were entering into formal contractual relationships, involving rights and obligations under tax, land tenure, company and other legislation, while employing professional services. In growing coffee they had moved from relying on the unpaid labour of family and followers to hiring paid workers—though these employment relationships were different from the formal, contractual labour relations of European planters. Over a longer time-span an entrepreneurial transition occurred, from relying on informal sources of finance (including personal savings and the contributions of kinfolk and ‘followers’ to joint enterprises) to formal credit, although few had access to bank or trade credit as early as 1975. As these trends continued it became possible to distinguish a continuum of formality among Gorokans themselves, ranging from MacWilliam’s ‘accumulators’ at the more formal end, to ‘consumer’ households at the other. In regard to the latter, Howlett (1973, 262) observed around Goroka that there was ‘much spontaneous planting on small scattered plots, usually on the insecure basis of usufruct’. This suggests a relationship between land tenure and formality. The drive to consolidate land holdings at an economic scale was a characteristic of ‘formalising’ business leaders, while the mass of growers continued to cultivate subeconomic coffee plots in a subsistence *milieu*.

Regulation and pushback

Among regulatory issues relevant to informality in coffee were those arising from ineffectual official attempts to control the level of indigenous production. These began about 1959 with a bureaucratic initiative to wind back coffee extension services. An attempt to divert extension resources to other cash crops and livestock, it was inspired by fear that growth of smallholder coffee

output would imperil official efforts to find overseas markets for the total (smallholder plus plantation) crop. Since the potential for plantation growth was more constrained than that of smallholders, unchecked expansion by the latter would dilute planters' share in any internationally negotiated export quotas. Stewart described HFSA as taking an 'intensely political' stance on this issue, while Paige West concluded the Association had influenced the official decision in its members' interests (West 2012, 273, n7). For the late colonial period this was an unusual instance of authorities intervening to safeguard the interests of 'metropolitan capital' over those of indigenous growers, although such interference had been common enough in the Mandated Territory during the interwar period (Ch. 2; see also Ch. 9).

By 1961 official policy had hardened to the point of actively discouraging further smallholder plantings. Australia's accession to the International Coffee Agreement (ICA) in 1962 secured a *de facto* export quota for PNG coffee (Stewart 1992, 94–95) but this was made conditional upon action 'to reduce the expansion of coffee production ... [and] ceasing active extension work designed to spread coffee growing among New Guineans' (Finney 1973, 66). There was a difficulty with this commitment, for while government might abandon coffee extension it lacked legal authority to prevent smallholders from continuing to plant coffee. In the international climate of the 1960s smallholders were in a position to call the bureaucratic bluff. Continued plantings represented their pushback against official suasion, amounting to the informal 'sector' of coffee prevailing—in this matter at least—over the formal, plantation sector.

Aside from such quantitative issues there were also important qualitative problems in smallholder coffee production which troubled authorities. These concerned good practice in planting, husbandry and processing, and were less the subject of formal regulation than of guidance by administration officials, particularly

agricultural extension staff, and commercial coffee buyers. During the tenure of Robert Cottle as District Agriculture Officer, from 1952 to 1954, early smallholder plantings were carefully supervised and correct agronomic practice encouraged, under a regime targeting leading men (Ch. 21). Even after Cottle's departure some individual growers continued to benefit from a continuing 'big-man bias' among extension staff. But as officials lost control of indigenous expansion, informality in the generality of Gorokan coffee production was signalled by smallholders' failure to conform with prescribed agronomic standards. This failure is suggested by an account of cultivation practices from the 1980s which (if backward extrapolation is acceptable) may be taken as a guide to conditions during the late colonial period. Among the mass of small householder growers:

'production of coffee by smallholders is extremely rudimentary involving the most elementary and inefficient machinery (such as pulpers and hoes), limited or undeveloped techniques and unskilled labour. They rarely weed and almost never mulch. Further, pruning is rarely done by smallholders. This causes lower yields, difficulties for pickers and a failure to rejuvenate the tree by providing bearing wood' (Stewart 1992, 55).

Poor husbandry was due to a number of factors. Aside from withdrawal of extension there was a period of sustained low prices from 1964 to 1974. This discouraged 'subsistence affluent' Gorokans from investing more than minimum labour inputs into maintenance, although aggregate plantings and output continued to expand as smallholders engaged in their own version of the 'scramble for land'. Further output growth caused the quantitative issue to arise again. Confrontation between bureaucracy and informal producers was renewed in 1966–67 when coffee exports threatened to breach limits set under the first ICA agreement. Gorokan pushback continued (described by Stewart as a 'silent

class struggle’) while the HFSA renewed efforts to curb smallholder expansion under the guise of ‘non-racial’ regulations, which it proposed to restrict indigenous output. These were to be based on a formula derived from limits already imposed on the plantation sector.

The attempt failed due to a combination of factors. First, the administration still lacked capacity to restrain indigenous expansion, while regulation so prejudicial to smallholder interests ran against continuing official sentiments of ‘trusteeship’. Further (as occurred also in the later case of the Faber Report; Ch. 25) other Australian agencies including the Departments of Treasury and Trade were prepared to overrule the Department of Territories over issues of economic policy. These included the anti-competitive nature of the proposed settlement, as well as concern to avoid compromising either broader Australian interests in international trade negotiations or the longer-term fiscal sustainability of an independent PNG. Ian Downs, still Chair of the HFSA, might thunder from Goroka that the Department of Agriculture ‘should be directed to discourage forthwith the unrestrained planting which continues throughout the Territory’ (cited in Stewart 1992, 102), but the times were not ripe for coercive measures. With the administration increasingly conscious of the approach of self-government, any action which might ‘destabilise the main export crop in the Territory’ could not be supported (*ibid.*, 101–103). Smallholders continued to expand plantings under an informal production regime typified by substandard husbandry, with suboptimal yields.

Pushback and coffee processing

Quality of processed coffee beans was a perennial problem. It emerged with the decline of extension services and was exacerbated by low prices, but most importantly resulted from smallholder pushback against professional coffee buyers. Commercial

processors acted through a Coffee Marketing Board (CMB) to determine formal grading standards and price differentials. Prices actually received by smallholders were negotiated at the roadside or the factory door—supposedly on formal criteria, but more often reflecting power and information imbalances between smallholders and buyers. Beans were often sold at the roadside as unprocessed, perishable ‘cherry’ coffee. Processing from cherry to ‘parchment’, requiring modest investment in equipment and labour, was also done by many smallholders though with variable quality outcomes. Well-processed parchment could be stored, advantaging the holder—whether smallholder or processor—who then had discretion in deciding when to sell. That some small growers held parchment in expectation of higher returns suggests their capacity to defer immediate income in favour of future returns, implying smallholder progress towards more formal modes of operation. The final stage of processing, to exportable ‘green bean’, required capital investment and was normally done by commercial millers. To gain premium prices, smaller European planters and some larger, more formal Gorokan producers would pay to have this done.

In practice, as Stewart (1992, 73) concluded, ‘[roadside] buyers know little about quality, test for it in a casual fashion or not at all and assume all roadside coffee is Y grade coffee and pay accordingly’. The reference is to lower-priced bean, deemed suitable only for soluble (‘instant’) coffee. This was the dominant element in Australian consumption at the time, whereas plantation coffee was considered to be of higher (‘appearance’) quality. Under ICA quotas the latter could be sold more profitably in premium markets. But so could smallholder coffee that was suitable for processing to the necessary standard, suggesting that ‘native’ parchment acquired cheaply could be very profitable. Stewart explained the problem: ‘Smallholders are continually exhorted to improve the quality of their crop but if they are always to be paid at the Y grade level

then where is the incentive to do anything about quality?’ (ibid.). It is not difficult to see that the absence of price incentives could cause pushback behaviour among smallholders, either in terms of becoming indifferent to quality or by employing deceptive practices. The latter included adulteration with foreign matter or concealing poorly processed (‘wet’) parchment in coffee bags.

In the 1960s coffee buying was a regulated occupation conducted largely by Europeans, employed by processors or funded by them under ‘tied’ relationships. Towards the end of the decade illegal roadside buying by Gorokans appeared, a form of pushback reflecting determination to enter more profitable, downstream activities. Then in 1973, under the influence of the Faber Report, Gorokans were encouraged to apply for buyer licences. By 1974 new legislation had attempted to ‘localise’ roadside buying of cherry and parchment completely, and to free newly licensed buyers from restrictive ties. This proved unworkable; lacking working capital and without assured access to processors, indigenous buyers were caught in what Stewart called a ‘pinch point’ at the factory gate. Regulations were watered-down to legitimise processor financing again and some private European and corporate processors assisted Highlanders to purchase vehicles previously used by Europeans. The net effect of this pushback was to improve the position of a new category of indigenous buyers *vis-à-vis* informal smallholders, with the latter remaining subject to bargains as hard as they had suffered before. Coffee processors (still largely associated with foreign interests) retained the upper hand.

Two more, closely related, instances of the pushback phenomenon occurred during 1973. In the first we see evidence of reaction against activities of ‘formalising’ Highlands big-men/ planters by their wage labourers and local smallholders. In the second, pushback took the form of successful resistance to legislative measures secured by the political representatives of those planters. The latter instance occurred when, ‘some groups, particularly big

Highlands businessmen, wanted to ban the selling of cherry, because they felt that the price was too low and cherry coffee was too easily stolen and sold to passers-by' (Von Fleckenstein 1975, 116). Industry sources suggested 'hired pickers and others' were responsible for such thefts (Cartledge 1978). Beneath the surface it is fair to see coffee-stealing as grassroots pushback against rural inequality and the alienation of land by prominent individuals—just as one might see those same phenomena contributing to agrarian violence ('tribal fighting'). Legislation to deal with coffee-stealing restricted the sale and purchase of cherry in specified areas, including Goroka. The victory was short-lived, the regulation being amended because of political opposition from an unlikely coalition of smallholders and the CMB. Many smallholders, especially women, wished to retain freedom to make immediate small cash sales without the trouble of processing, while the Board expressed concern about 'the likely effect on the overall quality and price of smallholder coffee being exported and doubts ... about the return to the grower being any more favourable by producing only parchment' (Cartledge 1978, 161). It is interesting that both sides—'formalising' big-men and formal processors and marketers—affected to take the high ground by expressing concern for the interests of informal smallholders.

Processors (represented by CMB) may have been correct to assert that smallholders gained little benefit by processing to parchment stage. It was almost certainly true that commercial processing of cherry would improve quality and secure higher returns for the industry as a whole. But given the stranglehold on downstream purchasing and processing held by corporate interests, it is not clear that higher returns would have flowed back to smallholders.²³ The ban on cherry sales may be interpreted as protecting the interests of a class of formalising indigenous planters (who, incidentally,

²³ Stewart (1992, 65ff) explained this in terms of 'pinch points' in the purchasing/processing/marketing chain.

owned most of the small pulping machines hired to smallholders, to process cherry coffee in villages). Pushback exerted against this by smallholders displayed stubborn informality, in support of their freedom to sell coffee in its least-processed (i.e., least *formal*) condition, although their action benefited commercial interests represented by CMB.

In summary, episodes of pushback—efforts to cope with bureaucratic pressure—entrenched informality in the mass of Gorokan peasant producers. Most significant was their refusal to bend to official suasion to curtail the expansion of plantings, a resistance assuring their quantitative (if not economic) dominance of the industry. In qualitative terms, smallholders reacted against pricing policies which did not reward them for careful processing. Their consequent indifference to quality and frequent resort to deceptive practices were evidence of stubborn informality, causing a low price/minimum effort mentality to become normalised among them. Other rural behaviours suggested dissatisfaction among particular groups—informal growers, informally hired coffee workers and younger people facing land shortage. Coffee-stealing, and even some instances of ‘tribal’ fighting, are also interpreted here as informal economy pushback against alienation of customary land by Gorokan entrepreneurs.

Donaldson and Good (1981) identified a group of ‘rural capitalists’ just before Independence who were capable of ‘class action’ (opposition to regulated wage increases, office-holding, agitation in regard to law and order issues). The aborted ban on direct sale of cherry was an attempt by these entrepreneurs to protect their own interests, while political reaction against it represented the defence of informality in production by small growers. Illegal coffee-buying was evidence of Gorokans pushing to move ‘downstream’ from production to marketing and, to the extent this contributed to further decline in processing standards, the result may have been to entrench smallholder informality

further. Episodes discussed here give insight into what Downs (1980, 186) later called ‘the commercial greed of both races’, particularly evident in ‘the purchasing and marketing of coffee’. Alternatively we might see them simply as characterising the direction of change in Goroka at the end of the colonial era.

CHAPTER 24

The triumph of capitalism?

IF A LOW PRICE/MINIMUM EFFORT malaise marked much smallholder production, a related weakness plagued Gorokan planters striving towards formalised operations. Their problem was a low wage/low productivity trap. The rise of Finney's *bikfela man* produced economic differentiation between Gorokans in coffee, as well as the entry of others into downstream and service activities. Some aspiring rural capitalists, who might be called 'coffee entrepreneurs', appear to have focused on growing coffee at a scale closer to that of European plantations (Ch. 23). They were distinct from the mass of Gorokans ('smallholders') growing some coffee as part of a portfolio of activities grounded in subsistence agriculture. There was also another group of more ambitious 'formalising' Gorokans. They extended their reach to commercial activities, such as 'private ownership of trade stores, trucking businesses, influential positions in co-operative societies or savings and loan societies' (Stewart 1992, 75). This narrative considers first the Gorokans—entrepreneurs and smallholders—who were active in coffee.

Gorokans in coffee: entrepreneurs and smallholders

Finney (1969, 37ff) characterised the coffee entrepreneurs as unable to access bank or trade credit and starved of working capital. Cash-flow problems reduced their capacity to pay wages during the coffee 'flush' and since most could not afford commercial processing they also failed to secure quality premiums on their 'green bean'. Less effective than expatriates in managing labour, they employed workers informally rather than under regulated contract. With such labour as they could afford, they were more likely than Europeans to be locked into low wage/low productivity employment relations. All planters experienced some worker antagonism but small and medium Gorokan planters suffered because of difficulty in managing the complexities of 'piece rate' employment. Involving payment by results, this was common on larger, formal plantations intent on securing the highest productivity from casual workers. Piece-work involved high costs, 'due to the temptation of some workers to forge or steal weight receipts, to lose their copies ... or to resort to destructive or careless practices to get the berry off the tree' (Stewart 1992, 49).

As with coffee-stealing, such behaviours were often forms of worker pushback, against industrial grievances which a well-managed and -capitalised plantation might handle, but which most Gorokan employers could not. After Independence, with the 'localisation' of plantations essentially complete, an experienced analyst observed that 'the current breakdown of the plantation system in PNG can be related to the lack of acceptance of the status hierarchy necessary to support the system' (McKillop 1981b, 28). In consequence of this, and of an inability to realise economies of scale, small and medium Gorokan plantations were unable to rise above their intermediate position between informal smallholders and formal plantations. Also, by reason of greater capital investment and overheads, they were more vulnerable than smallholders to

coffee price fluctuations. Smallholders displayed a more elastic supply response to changing prices, becoming at times of low prices both less willing to pick coffee and less careful in processing it. Many preferred to apply their energies to other activities.

Two attempts occurred in the 1960s to create larger entities capable of remedying disadvantages suffered by smallholders at the hands of coffee buyers and processors. Both were settler initiatives, aiming to combine Gorokan capital in joint ventures with European capital and management, and to capture for smallholders more of the value added in processing. One of these, the Highlands Commodity Exchange (HCE), was an incorporated entity and the other an unincorporated partnership. Both were buoyed by initial enthusiasm and Gorokan cash, as smallholder groups saw an opportunity to ‘own’ processing mills comparable with those of Europeans. In the event, despite reasonable dividends in early years, HCE’s new mill proved insufficiently grand to meet indigenous shareholder expectations. Their loyalty wavered and in a rather piquant situation of pushback HCE found itself having to compete with rival buyers for its *own* shareholders’ coffee, and to deal with adulteration of bagged coffee purchased from them. Similarly, discontent emerged in the second venture because members’ money was employed as working capital—a concept difficult for smallholders to comprehend—and had ‘not gone into any visible capital asset to which they can point with pride’ (Finney 1969, 77–78). Both cases seemed to illustrate a characteristically Gorokan hybrid mix of motives in which rates of return on capital appeared secondary. Even ‘a good return without some visible sign of an important and successful enterprise, may not be enough to satisfy investors’ (*ibid.*, 78).

In summary the evidence suggests informal smallholders did not internalise the market rationality required by the ‘development’ orthodoxy. They experienced a malaise, cushioned by subsistence, limiting earnings from coffee. Two attempts to create group entities

to remedy smallholder disadvantage were undermined by a hybrid preference for prestige. These experiences suggest how frequently ‘discrepancies’ emerged between prescribed economic behaviour and the somewhat untidy reality of Goroka. Secondly, ‘formalising’ small and medium planters (‘coffee entrepreneurs’) had difficulty escaping limitations imposed by the low wage/low productivity trap. They were unable to overcome managerial shortcomings (e.g., the informality and inefficiency of their labour-hire practices). These were uncongenial aspects of the colonial economic orthodoxy, although most Gorokans were enthusiastic about its principal plank—‘development’. They saw this in the parochial and concrete forms of village infrastructure and increasing coffee acreages (however erratically they exploited their *own* acres). Their understanding was encapsulated in the pidgin phrase *kirapim ples* (‘local development’). Successful Gorokan businessmen also absorbed the rhetoric of development. Promising to deliver its local manifestations to electors became a necessary prerequisite for political office.

Beyond coffee

Perhaps one should look elsewhere for a convincing demonstration of acculturation to market norms and the abandonment of hybrid attitudes. More ambitious Gorokan entrepreneurs seeking to diversify beyond coffee, dubbed ‘rural capitalists’ by Gerritsen (1979), earned much of their income outside agriculture by engaging in economic activities in both town and countryside. It may be possible to judge how far this group, seemingly more progressive, was able to advance towards formal and ‘businesslike’ commercial dealings, untinged by hybridity. Even before the ‘business groups’ legislation of 1974 they had entered into more formal, contractual relationships with European interests and adopted corporate structures, usually with European and/or extension assistance.

During the early 1970s these formal measures assisted in opening doors for Gorokan ownership of ‘shops, taverns, real estate, coffee buying, commercial vegetable growing, livestock raising, taxis, passenger motor vehicles, and trucks’ (Donaldson and Good 1981, 166). Such arrangements, together with the acquisition of urban properties suitable for leasing, encouraged some Gorokans to become *rentiers*, living off capital to a greater or less extent and displaying limited entrepreneurial creativity.

Commencing in the late colonial period this phase of Gorokan *bisnis* accelerated quickly with political change. As Independence approached ‘the growing political and economic ascendancy of indigenous capital’ gave a new meaning to Hasluck’s *paramountcy of native interests*. Replacing old connotations—*preserving village life*—the slogan became instead ‘synonymous with indigenisation and local ownership of commercial properties’ (MacWilliam 2013, 238). MacWilliam remarked the electoral success of an ‘indigenous bourgeoisie’, and their capacity to mobilise capital from supporter groups and to ‘facilitate access to state resources’. As on the Gazelle (Ch. 19) rent-seeking behaviour—the pursuit of commercial advantage from an insider position—enabled members of this group to profit from opportunities arising in the political climate of the 1970s. Other commentators, from Finney, to Donaldson and to Fitzpatrick, emphasised the essentially political dynamic supporting this process, in which the entrepreneurship involved was political rather than Schumpeterian. The narrative will return to Schumpeter in Chapter 25 to consider his understanding of entrepreneurship and its relevance to colonial PNG.

Intergenerational transmission of wealth

In Melanesia wealth, however acquired, cannot easily be retained. Retention requires both strength of character to withstand Maussian pressures and a Smithian capacity to manage capital. This tension

was evident in Finney's entrepreneurial biographies, and from his later account of a return visit (Finney 1973, 1987). While attempting to contend with Europeans in the domain of Smithian trade the big-man strove also to avoid dissipating capital under pressure of the Maussian expectations of his followers. His success in *bisnis* required their support, but the too-lavish reciprocal disbursement of benefits would prevent his accumulating enough for reinvestment and further growth. Success in this delicate task required political skills to achieve the correct psychic balance between communal prestige-enhancement and material distribution. In the ultimate it might require the personal will to disassociate oneself from the support group, pursuing an individualistic path in the Smithian manner as one of those individuals Charles Rowley (1965, 101) called 'isolates in charge of their own destiny'. Some Gorokans, in common with other Highlanders and especially the entrepreneur politicians, found it advantageous to take up residence in Port Moresby to narrow their circles of obligation. Later still, some would seek insulation by investing in the northern Australian city of Cairns. But short of achieving some degree of social distance, the *bikfela man* continued to inhabit a hybrid and insecure reality in which traditional *mores* coexisted uneasily with capitalist accumulation. Further, even to the extent such men succeeded in conforming with the culture and norms of 'capitalist' commercial activity, their *bisnis* operations would likely continue to be characterised by varying degrees of informality. This is not to deny genuine entrepreneurial achievement among some businessmen at Independence (as also among Tolai on the Gazelle). Rather it is to consider cultural obstacles impeding more widespread success, and to suggest such 'capitalism' proved compromised—at least in the colonial period—by the hybridity and informality common to most indigenous market economic activities.

In Melanesia the death of a big-man often precipitates pressures for the dispersal and redistribution of his wealth (hence the 'hiding

of assets' observed on the Gazelle; Ch. 18). In such circumstances 'capitalists'—whether creative and entrepreneurial, passive *rentiers*, or politically connected rent-seekers—face the common problem of establishing mechanisms for the intergenerational transmission of wealth (Ch. 22). Some Marxian scholars, represented most clearly in the Gorokan literature by Donaldson and Good, assumed the problem away by asserting traditional Highlands status was determined primarily by ascription, by attributing success in the market economy to inherited status, and suggesting that accumulation in one generation would benefit children in the next. By such means the platform for further accumulation was assured. Similarly, Fitzpatrick (1980, 15) saw capitalist accumulation as 'building on hierarchies and inequalities within resident social formations'. On the other hand, Finney viewed prestige in Gorokan society as determined by personal achievement. While he may have viewed Gorokans as being 'pre-adapted' to accumulation in each generation, he anticipated problems of succession—an issue to which he gave attention during a return visit (Finney 1987). This is not to say all successful entrepreneurs would lack wit or opportunity to advantage their offspring, although it was not clear in 1975 how far social advantage, in the sense of capitalist accumulation, had, or would, become embedded among families of entrepreneurial Gorokans. Tracking the fortunes of succeeding generations would require longitudinal studies combining genealogy and business history, and of sufficient scale to provide a solid factual base for generalisation.

While wealth might not have been reliably heritable, a significant qualification applies. Even before Independence, successful individuals in and around Goroka and (especially) Rabaul had invested in *human* capital through formal education of their children. Paula Brown (1979) observed a similar pattern in the Chimbu district. In early days this involved getting children into English-medium primary schools, while later cohorts attended

multi-racial 'A' and secondary institutions, with some continuing to one or other of the universities. Much later, international education options appealed. Unlike physical or financial capital, educational capital is embodied in the young and not susceptible to dispersal on the parents' death. If the importance of achievement-orientation and social mobility are accepted it is easier to envisage education as the channel for transmitting status—although if education is not augmented by transfers of conventional capital the next generation may look elsewhere than *bisnis* for success. Young people equipped with human capital but lacking other resources might see bureaucracy, or the law, as more promising fields.

Fitzpatrick seems to have regarded these as reliable pathways: the sons of entrepreneurs 'monopolised educational opportunities ... and, hence, monopolised advancement *in the state system*' (Fitzpatrick 1980, 15, emphasis added). This is relevant because, in a departure from colonial orthodoxy, the 'state system' became an entry point for business from the late 1960s. Earlier administration officials (Greathead, Taylor and Downs among them) had been obliged by regulation to avoid compromising their positions by engaging in private enterprise (Ch. 21). While not prevented from making discreet preparations, officials found it ultimately necessary to resign in order to take up commercial opportunities. This changed when, 'as indigenisation of colonial administration employment occurred, legal and other barriers to straddling between state positions and private commercial activities were lowered' (MacWilliam 2013, 232).

Principal beneficiaries of the new environment of the 1970s may have been the political class, but an incoming generation of senior indigenous public servants, advantaged by position and access to information, also found themselves presented with abundant commercial opportunity. This they could enjoy without having to resign. With bank credit readily available, urban real estate opportunities numerous and the divestment of expatriate interests

occurring, some officials benefited handsomely (albeit legitimately in terms of the new dispensation). The extent to which such activities represented creative entrepreneurialism, as opposed to rent-seeking or passive *rentierism*, is a matter for judgement. There was still little evidence of the corrupt alliances between lawyers, bureaucrats and politicians which later became the staple of political commentary. At that time formal education, translated into bureaucratic office, seemed more likely to guarantee the intergenerational transmission of privilege than individual success in business. The process would likely be less mechanistic than posited by Marxians relying on supposed traditional 'social formations' for the maintenance of 'hierarchies and inequalities'. And these processes would increasingly be played out on the national stage, rather than in such provincial theatres as Goroka. Part D of this study is set on that national stage, with particular reference to the capital, Port Moresby.

PART D

**BIRTH PANGS: ALL THESE
ARE THE BEGINNING OF
SORROWS**

CHAPTER 25

The preparatory idea

VISITING PNG IN 1963 Bernard Schaffer warned, 'how ... dangerous it is to suppose that development must actually be the more or less satisfactory working out of transferred Western models'. One version of this seductive myth was 'the preparatory idea', a notion of 'laying the foundations ... for a Western model' of administration (Schaffer 1963, 45). Experience elsewhere provided little evidence of any such preparation until late in the colonial day, while talk of it was usually 'a ploy' for delay. 'The colonial polity was essentially bureaucratic' and 'colonial government was dominated by the secretariat [whose] aim was efficiency'. This led to 'the growth of technical departments, not to the growth of the roots of independence' (*ibid.*, 52). After PNG's Independence, another observer noted 'the fact that the transition did proceed with minimum disruption owed little to Australian forward planning, but a good deal to the durability and penetration of its administrative structures and techniques' (Mortimer 1979, 205). These observations should be recalled when considering 'preparatory' measures implemented in PNG. The process of disengagement, in which an alien bureaucracy was expected to prepare the way for its own replacement, was rife with internal contradictions.

In 1964 an appointed legislature with three indigenous members was replaced by a House of Assembly—a unicameral parliament, elected by universal adult suffrage. It had an indigenous majority, albeit one lacking either parliamentary experience or political coherence. This allowed it to be dominated by nominated ‘official’ (administration) members. Multiracial political parties began to coalesce outside parliament, notably the nationalist Pangu Pati which achieved representation at the second, 1968 election. Official members continued to hold sway in this second House with the acquiescence of nominally-independent indigenous ‘Ministerial members’. None of the members were from Pangu, which had stood aloof from the nomination process. Then after the 1972 national election Pangu, under the leadership of Michael Somare, formed a majority coalition on the eve of self-government.

During the second House economic policy had remained in the hands of colonial officials, who continued to pursue accelerated development on Canberra’s instructions. On orthodox macroeconomic criteria this produced impressive results, expressed in terms of the Fiskian taxonomy of subsistence, transitional and monetary sectors. Between 1966 and 1970, output in the combined monetary and subsistence sectors increased at an annual average rate of 9.3 per cent while the monetary sector alone increased at a galloping 15.6 per cent (Shand 1971, 54). In 1966 subsistence activity still contributed about half of domestic output, with some 44 per cent (nearly a million people) wholly engaged in subsistence. Another 37 per cent continued actively in subsistence while also operating in the Fiskian ‘transitional’ sector, with some cash income. Rapid rates of measured growth suggested the probability of further significant reduction in numbers wholly dependent on subsistence by 1970, as well as an increased share of population in ‘transition’ (ibid., 56). The driving force was ‘the large and escalating scale of the Australian grant and the direct expenditure of Commonwealth departments and instrumentalities’. From 1969 this was reinforced

by private sector construction on the Bougainville copper project (ibid., 58). The macroeconomy was experiencing rapid growth and, on the surface, beneficial structural change.

The last important expression of accelerated development was a *Development Programme* (TPNG 1968) aimed at reducing fiscal reliance on Australia, for which it was thought growth should be maximised. Produced by the administration's Office of Programming and Coordination (OPC), it was described by John Langmore as 'the first document resembling an economic plan published by the Administration'. He dismissed it as no more than 'indicative' planning—simply 'a framework for public sector expenditure'—with a wish list of private sector initiatives and internal inconsistencies. Most damning, it paid lip-service to indigenous participation while continuing policies exacerbating expatriate domination (Langmore 1972, 12–13).

Shand judged accelerated development as having 'brought substantial monetary benefits to the local population in absolute terms (if unevenly) but it has primarily benefited expatriates' (Shand 1971, 70). Total monetary sector income rose from \$80 million to \$300 million between 1960–61 and 1969–70, while the expatriate income-share increased, from 62.5 per cent to 68.0 per cent. This showed that 'Papuan and New Guineans have lost ground in terms of their relative economic influence ... despite a growth in the absolute level of their involvement in the monetary sector' (ibid., 73). Inequality had another dimension, for such gains as were made by local people were unevenly distributed across the country. This was the logical outcome of selective regional allocation of investment resources under accelerated development.

Racial income inequality may be illustrated in terms of numbers of workers and their relative earnings. In 1967–68 the indigenous were 90 per cent of the monetary workforce, and the wage ratio 1:11, so that the 10 per cent of expatriates earned a staggering 54 per cent of total wages paid (ibid., 81). Further, over the 1960s

a shift in aggregate income occurred, away from wages and primary production in favour of non-wage incomes, especially company profits. Inter-racial inequality increased because ‘the manufacturing, building and construction, transport, storage and communication, commerce, finance and property industries ... are largely or wholly in expatriate hands’. Serious efforts at promoting indigenous interests were confined largely to the public sector and rural industries (*ibid.*, 84–85). Ross Garnaut summed up the situation confronted by the Somare government in 1972:

‘Foreigners owned nearly all modern sector enterprises and supplied most skilled labour and management. Three-quarters of domestic expenditure was on imported goods. Australian aid exceeded twice the value of revenue collected by the government and provided the main impetus to growth. Money incomes differed vastly between regions ... and between the two percent of foreigners who had most of the money income and the rest of the population’ (Garnaut 1980, 447).

Ric Shand, though a conservative economist and trusted colonial adviser, felt bound to point to ‘the emergence and growth of economically-based social and economic tensions’. But he also stressed the continuing adequacy of traditional subsistence as ‘a basic structural factor which has had a positive stabilizing influence on the national economy’ (Shand 1971, 56–57). This view was informed by his belief in the operation of a ‘floor’ to urban livelihoods, provided by an affluent subsistence sector. This explained Port Moresby’s capacity to maintain the essentially *formal* character of its labour market despite increasing freedom of entry for rural-urban migrants. As to remedies, Shand warned of the magnitude of the task: ‘many areas of economic endeavour are totally unfamiliar to the local population.’ This incapacity impeded their participation in both formal and informal economies. He pointed also to a timing problem: ‘the pace set for development is

currently too fast to allow for a natural process of familiarisation and growth of participation' (ibid., 86).

On the eve of self-government Garnaut wrote that 'a growing domestic market, growth in domestic labour skills and greater knowledge of the country's natural resources have greatly increased the number of industries that could be included in an efficient Papua New Guinean economy'. It seemed reasonable to expect more diversity to develop on these foundations (Garnaut 1973, 162). Diversification was certainly needed. As Anthony Clunies Ross observed, 'viewed as a national economy', PNG was 'one of the least internally integrated' (Clunies Ross 1971, 473). Almost a decade later Garnaut recalled, ruefully, that PNG had possessed 'none of the characteristics of a national economy when the first Somare government was formed in April 1972'.

Nor did the self-governing State get off to a flying start; it took five years for 'an effective PNG framework for economic policy-making' to emerge (Garnaut 1981, 157). Langmore, then a public servant, recalled progress being constrained by limited planning and budgeting capacity in an administration only recently freed from Canberra's micro-management, and by continued adherence to accelerated development (Langmore 1972). Among the problems was a culture of economic management derived from Australia's own 'heavily modified' model of economic liberalism, while the departing Australian bureaucracy was still attempting to fashion PNG in its own image. The first coalition government of 1972 inherited an apparatus whose 'bureaucratic and assimilationist style was well established' (Ballard 1981a, 11). In this situation an initiative, an eleventh hour attempt to reframe the 'preparatory' process, originated from an unexpected quarter within the Australian bureaucracy. It was decided to commission fresh advice, from an international group which came to be known as the 'Faber Mission', concerning policy directions for an independent PNG.

The Faber Mission: ideology and policy

This study employs the dynamic of informality and the metaphor of pushback to describe the economic behaviour of individuals reacting against bureaucratic orthodoxies. PNG's short period of self-government between 1972 and 1975 was characterised by a similar reactive dynamic, albeit one operating at a more explicitly political level. It took the form of pushback by an incipient political class against the 'bureaucratic and assimilationist' preparations of an expiring colonial administration. Accelerated development had intensified social and economic tensions. To employ Polanyi's metaphor, inequalities arising during the 'preparatory' phase caused livelihoods and social relationships to become increasingly *disembedded* from traditional social foundations (Polanyi 1944).

Events seemed to mirror upheavals elsewhere, typified by 'multiple forms of dispossession', ranging 'from the material, to the socio-cultural and the moral' (Hann and Hart 2011, 136). In PNG there emerged a proliferation of 'spontaneous local movements, differing in their origins and specific objectives but sharing a broad concern with the achievement of economic, social and political development through communal action' (May 2009, 48). Levels of consciousness and causes of discontent differed, with urban sophisticates more concerned about racial inequality and access to decision-making, while rural people were exercised by regional disparities and limited access to government services. Such tensions, communicated to parliamentarians, inspired political pushback against the late-colonial orthodoxy embodied in 'accelerated development'. This may be seen as an instance of Polanyi's 'double movement', the impulse to *re-embed* morality, culture and livelihoods in a traditional, notionally egalitarian society.

Such was the spirit of the times, and the political changes it inspired were dramatic. Speaking of the second parliament (1968–72) Garnaut recalled that, aside from predictable demands for 'increased incomes and for government services',

parliamentarians were particularly concerned about inter-racial income inequality. Demands for greater indigenous participation in decision-making became clamorous and urban unemployment was debated frequently, with calls for the repatriation of rural-urban migrants (Garnaut 1973, 165). Members' concerns were not woven into any coherent narrative; a catalyst was needed to give point and direction to collective discontents. Informed by Polanyi's metaphor (above), this account considers the catalytic opportunity presented during the third parliament by the *Faber Report* (ODG 1973).

While perhaps unable to articulate a critique, many parliamentarians associated manifestations of inequality and social change with accelerated development. Amid such uncertainty an alternative, even antithetic, philosophy proved unexpectedly appealing. This is not to suggest that enthusiasm excited by the Faber Report was either universal or sustained, but that a particular serendipity marked its timing and reception. Keith Hart recalled meeting the Somare Cabinet in August 1972, after it had received the Report. 'The prime minister [sic] said, "Gentlemen, before you came, we only knew of one model for development. Now we know there are at least two"' (Hart 2002). The account is credible, reported in similar terms by an observer close to the Chief Minister's Office (Fitzpatrick 1985, 22). Hart's narrative, ever so slightly vainglorious and certainly played for laughs, is helpful in explaining the Report's commissioning, reception and impact. As he recalled 30 years later:

'I was recruited to a team, commissioned by the World Bank acting as executive agency for UNDP ... to draw up a development programme for Papua New Guinea on the eve of independence. It was headed by Mike Faber, a general economist [with Hart and two other economists] ... We spent three months in Australia and PNG during mid-1972, wrote a preliminary report and returned in 1973 for discussions with the

newly elected Pangu party government of Michael Somare.²⁴ The second time around we were reduced to two since the agriculture and mining experts had dropped out, possibly fearing that their consultancy careers would be wrecked by what one of them described as the lunacy advocated by Faber and Hart' (Hart 2002).

As to the context of the Mission:

'We arrived in Australia just when a quarter century of Liberal/Country party rule was expected to give way to Gough Whitlam's Labour [sic] party. The Ministry of External Territories ... had been a Country party fiefdom. But, with the help of the Commonwealth Treasury, we found that PNG was a redistributive device for siphoning A\$500 millions a year from taxpayers to three Australian interest groups: trading oligopolies ... civil servants ... and farmers ...' (ibid.).

The team's proposals for change encountered opposition:

'What we proposed in the way of grassroots development linked to an emphasis on the income of nationals was seen by a World Bank official as a "racist" deviation from orthodoxy. Our proposal to renegotiate the terms of the Bougainville copper mine ... upset everyone: the colonial administrators who had arranged a notorious give-away, the operators ... [and] the World Bank who believed a contract was a contract, the Department of External Territories and so on' (ibid.).

By the time Faber and Hart returned in August 1972 their draft report had been circulated and leaked to the press. Officials of the World Bank and OPC (the domestic agency responsible for the 1968 *Development Programme*) now seemed anxious to cooperate (ibid.).

²⁴ Hart's recollection appears mistaken here. The return visit occurred in August 1972 when Somare was 'newly elected'. Other internal evidence in Hart's account supports this. See also Downs (1980, 538).

Perhaps this was because a White Paper, effectively the last gasp of accelerated development, had been rebuffed in parliament. Seen as ‘an effort to outflank Faberism’, it had been trumped by another, ‘Faberite’ White Paper, tabled soon after (Fitzpatrick 1985, 24). Tony Voutas recalled that a small working group, ‘mainly non-public servants’, was deputed by Somare to draw on the Report to work up a draft set of policy aims. ‘Quite deliberately’, because of distrust of the expatriate old guard, ‘there was almost no consultation on these aims with senior [European] public servants’ so that, ‘by imposing policy guidelines on the public service, the Somare Ministry was democratizing government’ (Voutas 1981, 36).

Schaffer’s ‘essentially bureaucratic’ colonial polity was turned on its head. By year’s end OPC and its Director were gone, a platform of ‘Eight Aims’ based on the Faber Report had been announced and a new Central Planning Office was gearing up to implement it. Soon afterwards the House ‘took note’ of the Report and endorsed the Eight Aims as ‘the basis for economic planning in the coming years’ (Hegarty 1998, 186). The Report and the Eight Aims, together with a Preamble to the Constitution, were crucial to the official recognition of economic informality in PNG. The Report adopted the informal ‘sector’ construct as its primary vehicle for increasing indigenous economic participation, and the Eight Aims were suffused with it.

Except for considering the Aims in relation to informality, this study will neither examine them, nor score government’s performance in realising them. As a philosophical framework they were seen at the time as a charter for ‘self-sufficiency, reduction of social and economic inequalities and economic control in the hands of nationalists’ (ibid., 165). Far from frightening the horses, the Aims were seen by Garnaut as ‘expressed in gradualist and reformist terms and clearly not ‘foreshadow[ing] a sudden, radical restructuring of society’ (Garnaut 1980, 448). His subsequent rebuttal of radical critiques of Faber and the Aims, and his account

of government performance through the 1970s (Garnaut 1980, 1981) are authoritative. That ground will not be retraced here, except insofar as it is relevant to policy and practice affecting the informal economy.

In Hart's list of the Faber Report's antagonists there was no mention of the Australian Treasury, whose officers had been so helpful in Canberra briefings. As Hart later discovered, Treasury was the unexpected source of the initiative to commission the Report. Hart found the experience instructive:

'[T]he principals in the mainstream institutions were ready to defend the status quo, others anticipated taking their place as a result of the Australian election and were prepared to support us. This was particularly true of officials from the Commonwealth Treasury who, it transpired, were the source of our appointment in the first place ... Sometimes an opportunity arises to make a difference, however small' (Hart 2002).

Bougainville Copper was earning profits of an unforeseen magnitude. Fitzpatrick (1982, 215) concluded that 'the Australian government was willing to see more of this surplus going to the PNG state as this would help ease the former's heavy aid commitment'. Perhaps some Australian officials doubted the future political stability of an independent State continuing on the trajectory of accelerated development, courtesy of a minerals boom whose benefits were distributed inequitably. When the Report was first circulated David Hegarty (1998, 165) had no doubt it 'captured the imagination of many Cabinet and private members'. Before long, however, ambivalence emerged, reflecting disparate elements within the governing coalition. It became apparent that the Eight Aims were contrary to the 'entrepreneurial ambitions' of some ministers, although their 'pseudo-socialistic overtones' remained 'acceptable at the level of public rhetoric' (Voutas 1981, 46). The then Cabinet Secretary concluded later that 'the evolution of the

... Eight Aims ... was probably the closest the Ministry came to expressing a general ideological stance'. Otherwise the open contest of ideas was muted by 'the unstated knowledge', that Cabinet consensus was 'too fragile to withstand deep ideological debate' (Lynch 1981, 31).

This fragility, and the divergence of opinion at its core, would have implications for many objectives derived from the Aims, not least the goal of stimulating an indigenous informal economy. In practice, the policy focus was directed elsewhere: 'in response to an extraordinary concentration of income and wealth in the hands of a small expatriate community, *redistribution of high-income employment and business ownership from expatriates to Papua New Guineans* was the one distributional focus of the Eight Point Plan to be pursued vigorously and effectively' (Garnaut 2000, 32, emphasis added).

The 'entrepreneurial ambitions' to which Voutas referred were not limited to members of Somare's Cabinet. Earlier discussion of *bisnis* in late-colonial Rabaul referred to a class of business leaders described by Fitzpatrick as 'big peasants' and by MacWilliam as 'accumulators' (Ch. 19). Similarly, in Goroka there were identifiable groups dubbed 'rural capitalists' by Gerritsen, 'rich peasants' by Donaldson and Good and (more prolixly) 'members of the indigenous bourgeoisie and would-be bourgeoisie' by MacWilliam (Ch. 22). In both places there were also much larger groups whose members remained anchored in subsistence agriculture while also engaging in household portfolios of monetised economic activity. Such income sources, including cash cropping, post-harvest processing, service provision and casual labour, were marked by informality and pervasive hybridity. Some (as, for example, women near Rabaul practicing *pipiai* trade) were inching towards a degree of specialisation and exchange, albeit still only at an informal level (Ch. 19). MacWilliam characterised such households as producing for 'immediate consumption as well as markets' and described their

economic interests as being increasingly opposed to those of the ‘accumulators’ (Ch. 18).

Earlier chapters have made frequent reference to political activity as a path to accumulation, one followed by many ‘business leaders’. Garnaut’s remarks (above), concerning priority given by the Somare government to redistribution of *high-level* economic opportunity, suggest the importance of political processes. In one such case Fitzpatrick described how big-men used ‘business group’ legislation as a ‘springboard’ to political and commercial power, creating ‘a type of group capitalism’ from which they ‘somehow’ emerged as primary beneficiaries (Ch. 22). The ‘entrepreneurship’ involved in this mode of accumulation—in which political access and influence played the dynamic role—bore little resemblance to the Schumpeterian ideal. The latter was a positive model defined by a capacity for constructive innovation. At its most effective, such entrepreneurialism imposed ‘creative destruction’ on capitalism, renewing its vigour by sweeping away outmoded technologies, products and ideas (Schumpeter 1942). In this universe political entrepreneurs such as described by Fitzpatrick found no place.

William Baumol (1990) enlarged the scope of entrepreneurialism by arguing it could also assume negative forms, taking as his text an assertion by the Marxist historian Eric Hobsbawm (1969): ‘It is often assumed that an economy of private enterprise has an automatic bias towards innovation, but this is not so. It has a bias only towards profit’ (Baumol 1990, 893). Emphasising the need to recognise both positive and negative entrepreneurship, Baumol cautioned that ‘at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy’. Entrepreneurial energies may be allocated either to productive innovation, or to unproductive activities such as ‘rent seeking or organised crime’ (ibid., 893–894). Innovation itself is not necessarily productive. It might for example take such forms as ‘discovery of a previously unused legal gambit

that is effective in diverting rents to those who are first in exploiting it' (ibid., 897).

In Baumol's account, the choices entrepreneurs make depend to a large degree on the prevailing 'reward structure', the 'rules of the game' (ibid., 894). These determine the 'relative payoffs' to entrepreneurial activities, whether productive or unproductive. Where incentives are perverse, profit-seeking entrepreneurs will be drawn in 'unproductive directions', with negative consequences for economic growth (ibid., 918). He illustrated this by drawing on accounts of earlier historical periods to illustrate how 'relative payoffs' have influenced entrepreneurial behaviour. Baumol suggested 'early rent-seeking' was perhaps the historical instance of unproductive entrepreneurship most relevant to modern conditions. 'Enterprising use of the legal system for rent-seeking purposes has a long history' (ibid., 907).

In the modern context, 'rules of the game' may include both a formal structure of policy and regulation within which entrepreneurs are supposed to operate and also a less formal framework of norms, conventions and customs derived from the culture and history of a people. Historical cases considered by Baumol played out over centuries and occurred at the centre of the civilisations in which they were set. None occurred in circumstances such as those of late-colonial PNG, where formal 'rules of the game' had been imposed by foreign authority and instituted over less than a century (much less, in the case of Goroka). The attempt was made to impose rules of an alien game on indigenous people, in the unfamiliar context of market economy, far from the colonial metropolitan centres. In such situations, 'a country cannot meaningfully institute general rules and strict limits unless the informal beliefs and institutions of the people in question legitimate those rules and limits' (Boettke 2009, 45). It should not be surprising that colonised peoples brought their own 'rules' to this situation; *hybridity* (as defined and reported in this study) is an inevitable outcome of such minglings of culture.

Nobel laureate Douglass North identified a number of ‘stumbling blocks’ to economic change and development. These were ‘implicit in Adam Smith’s *Wealth of Nations*’ but largely ignored by neoclassical economists because they require an institutional analysis. Most relevant to this study is ‘the movement from personal to impersonal exchange’ (North 2005, 84). Personal exchange, broadly equivalent to Maussian exchange, is set against impersonal (or market) exchange. The latter was viewed by North as ‘necessary for economic growth’ (ibid., 133).

‘Such a move has posed, and still does pose, a fundamental obstacle to realising the potential envisioned by Adam Smith when he viewed the wealth of nations as being a function of the size of markets. The necessary institutional changes required to realise the gains from large-scale (and impersonal) markets require fundamental rethinking at odds with our genetic heritage’ (ibid., 84).

To avoid misunderstanding we should comprehend North’s interest in ‘the complex interdependence of the evolving social structure the human mind has created’. His reference to ‘genetic heritage’ is not related to race or ethnicity but should be understood in relation to the mind/body problem—the relationship of thought and consciousness in the human mind to the brain’s operation within the body. North noted how ‘very little work has been done to understand the complex interdependence of the evolving social structure the human mind has created. Without that understanding we are basically crippled in attempting to improve the economic performance of societies’ (ibid.). This requires better institutions, but creating them will require ‘*a fundamental alteration in the structure of the economy and the polity which frequently is not in the feasible set given the historically derived beliefs and institutions of the players*’ (ibid., 118, emphasis added).

CHAPTER 26

Hart, Faber and the informal economy in Port Moresby

ALTHOUGH HE DID NOT USE the term, Keith Hart introduced the idea of *informality* publicly in 1971, at a conference on *Urban Unemployment in Africa*.

‘I argued that the Africans I knew, far from being unemployed, worked for irregular and often low returns. I combined vivid ethnographic description (“I’ve been there and you haven’t”) with some impressive-sounding economic jargon that I had worked out in conversation with my academic colleagues ... and I became known as the author of a whole new segment of the division of labour in development studies’ (Hart 1994).

The immediate and largely positive reception given Hart’s ideas in Washington and Geneva was due to a panicked climate of opinion then prevailing, among some international agencies and academic economists, concerning a supposed epidemic of ‘open’ urban unemployment in developing countries. Alarmist and ill-conceived projections of unemployment, such as those published by Richard Jolly (Jolly et al. 1973) depended on defining ‘employment’ exclusively in terms of formal sector jobs. Hart’s contribution, pointing to the

nature, extent and value of informal economic activity, assisted greatly in reframing the issue. He established a new understanding of urban realities in development, expressed in terms of the lack of sufficiently remunerative *income opportunities*, as distinct from a notion of open unemployment due to the absence of *jobs* (Ch. 2).

The Faber recommendation that an indigenous informal economy should be encouraged found a receptive audience among economic nationalists in PNG, while the idea of the informal ‘sector’—as it was originally called—achieved a degree of influence, at least at the level of rhetoric, on early planning priorities. It also found its way into the constitution of the new State (PNG 1975), drafted with several clauses implying the duty of government to support and encourage informal economic activity (Ch. 25). These appeared in a set of ‘National Goals and Directive Principles’, derived substantially from the Eight Aims. The Goals and Principles were attributed by one commentator to John Momis and Bernard Narakobi, respectively Deputy Chair and Consultant of the Constitutional Planning Committee (CPC), and Peter Fitzpatrick, an adviser in Somare’s office (Kari 2005, 244). Tos Barnett was in Somare’s office, responsible for relations with the Committee. As he recalled, ‘In the CPC view, nearly all matters concerning government organisation and functions and economic and social development were intended to be influenced by the wording of the Constitution and the spirit behind it’ (Barnett 1981, 64).

In the Preamble to the Constitution, among the National Goals, and in relation to ‘integral human development’, there is a call for ‘development to take place primarily through the use of Papua New Guinean forms of social and political organisation’.²⁵ Recalling constitutional debates at the time I have no doubt that this was

²⁵ The Constitution with the Preamble containing the ‘National Goals and Directive Principles’ is available at http://www.paclii.org/pg/legis/consol_act/cotisopng534/, while the ‘Eight Aims’ are listed in the Report of the Constitutional Planning Committee at <http://www.paclii.org/pg/CPCReport/Cap2.htm>.

intended to promote a model of development in which informal economic activities would play a leading role. The Preamble calls for ‘the family unit to be recognised as the fundamental basis of our society’, and for ‘every step to be taken to promote the ... economic and social standing of the Melanesian family’. This recognises the household as being, *inter alia*, an economic entity at the centre of the informal economy. Finally, support given to informality in the Preamble was confirmed by a further call, made under the heading of ‘Papua New Guinean ways’. It was an appeal for ‘particular emphasis in our economic development to be placed on *small-scale artisan, service and business activity*’ (PNG 1975, emphasis added).

When Hart came to PNG in 1972, the country was among the first in which the newly minted idea of economic informality (Hart 1971, 1973) was introduced into policy discussion although—oddly enough—PNG was among those developing economies to which the concept was *least* applicable at the time. Hart was optimistic his ideas would have value for orthodox development planning (Hart 1970) and this would become evident from the tenor of his contributions to the Faber Report. On arrival he discovered that informal economic activity appeared conspicuous only by its *absence* in PNG’s few small towns—the circumstance described in this study as a ‘conundrum’. The Report commented that ‘although the *rural* informal sector shows signs of becoming well-developed in Papua New Guinea, urban artisan and service activities are as yet virtually non-existent’ (ODG 1973, 4.11, emphasis added). This reference to ‘*artisan and service activities*’ appears to have been picked up by the drafters of the constitutional Preamble, as cited above.

This observation in the Report is doubly interesting, first because it identified a structural gap in the urban economy of PNG—the absence of a category of economic activity significant elsewhere in the developing world. But secondly it extended the idea of informality to the rural economy, whereas Hart’s original (1973) account of Ghana was very largely urban-focused. The

formal/informal distinction was central to the Faber Report's approach, shown by its categorisation of the PNG economy as comprising a modern or 'formal' sector and an 'informal' sector, the latter embracing 'smallholder agriculture (both cash cropping and subsistence production) and many other small-scale activities in town and country' (ODG 1973, 4.2). While Hart was influential in framing the Report it is possible his colleagues, rather than Hart himself, favoured extending the concept to rural activities—even including subsistence production. I suggest this because Hart's own view of subsistence agriculture, seen later in his *Political Economy of African Agriculture* (1982), does not permit such an interpretation. In any case, after the Faber experience and following 'a Marxist conversion', he 'dropped the idea [of informality] until the late 1980s, when its miraculous persistence encouraged me to revisit it' (Hart 2008a, 6).

The Report's judgement that urban informality in PNG was insignificant reflected a degree of foreign domination of the urban economy extending to very nearly the lowest rungs of commercial activity. Indigenous participation in the urban monetised economy was limited largely to *formal* employment at regulated minimum wages. Short-term circular migrants, predominantly men, made up the bulk of jobseekers. At the time I argued that the absence of a third, 'unprotected sector', of informal employment in PNG towns meant that *open* unemployment, such as was found in industrial economies, typified PNG urban labour markets (Conroy 1973). This made the two-sector analysis of urban unemployment by Todaro (1969) more applicable to PNG than to Asian or African cities with substantial informal economies (Conroy 1974a; 1976, 61–64; 1982b, especially 13–14). This hypothesis was tested by Garnaut and colleagues in analysing the 1973/74 PNG Urban Household Survey. With some qualifications, they found a significant positive relationship between the mean earnings of unskilled male migrants and three separate measures of unemployment across all PNG

towns. They also found a significant positive relationship between statutory minimum wages and rates of open unemployment among low-skilled males, across the towns (Garnaut, Wright and Curtain 1977, especially 7–10). These findings supported their hypothesis, derived from Todaro's original (1969) model, of an equilibrium rate of urban unemployment appropriate to any particular differential between urban and rural incomes (*ibid.*, 183).

In Port Moresby and other towns the primary objective of unaccompanied male migrants was to secure employment in the regulated, formal economy. Pending this, most lived in open unemployment supported by transfers in cash and kind from kinfolk, with little or no informal economic activity (*ibid.*, Ch. 6). Grumbling about unemployment in Parliament owed more to discontent in urban households obliged to support these *pasendia*, and to concern in rural areas about the absence of able-bodied men, than to suffering experienced by the unemployed themselves. Men could not remain unemployed without continued support of relatives and friends, nor could they afford to have women join them in town. As seen in my account of Port Moresby settlement life (Ch. 17), and illustrating the mechanism underlying Shand's belief in the existence of a floor to urban livelihoods (Ch. 25), many *pasendia* eventually returned home. So long as they did not fall into the categories described by Garnaut as either 'trapped' or 'dispossessed' (Garnaut 1973, 174), migrants with the alternative of returning to a relatively affluent subsistence sector were not willing to resort to the uncongenial option of urban informal work (Conroy 1974b; Fitzpatrick 1980, 27, 57). As shown by the results of Garnaut's empirical test of the 'Todaro hypothesis' (above), the time such men took before returning home was influenced by the level of urban wages, and by their probability of gaining employment (as signalled by the rate of open unemployment).

A 'normalised' urban population structure, showing due representation of families with women and children, was emerging.

In Port Moresby, 1971 census data indicated that in-migrants formed more than 60 per cent of the indigenous population (more than 90 per cent if migration from rural areas of the Central district around the capital was included; Skeldon 1979, table 7.39). Sex ratios became more balanced as families formed; the ratio of men to women, 282/100 in 1961, had become more 'normal', at 159/100, by 1971. This improvement notwithstanding, such a level of masculinity still indicated a degree of retarded urbanism—a condition prolonged by continuing in-migration of unaccompanied men from newer source areas. The sex ratio varied between ethnic groups; for people born in Port Moresby subdistrict it was nearly equal ('normal') while among people from the four Highlands provinces it was 577/100. This high masculinity reflected the recent and rapid increase of Highlander migration, their proportion of the capital's population having risen from 4.4 per cent in 1966 to 9.1 per cent by 1971 (Oram 1976b, 160).²⁶

A contemporary review of circular rural-urban migration patterns posited a continuum, ranging from (at one extreme) places whose people displayed a high propensity to migrate and low degree of circularity in migration to (at the other) places showing low propensity to migrate combined with high circularity (Conroy and Curtain 1985). This corresponded with the reality of 1970s Port Moresby, as shown by two urban populations—Toaripi and Chimbu—at either end of the continuum. These people were discussed above, in an account of the city's 'squatter' settlements (Ch. 17). Toaripi settlers were at the stable end in terms of demographic structure, housing and employment. They were long-established and seldom returned to their villages other than for short visits (Ryan 1977). The Gumine (Chimbu) people of Ragamuka were at the other extreme: highly masculinised, living

²⁶ Accounts of Highland migrant communities in Port Moresby in the period include those of Marilyn Strathern (1975), Salisbury and Salisbury (1977) and Whiteman (1973).

in the city's most disadvantaged settlement with a short history of urban life, relatively few formal jobs and frequent comings and goings. Speaking of a contemporary urban household survey, Garnaut, Wright and Curtain (1977, 185) commented that 'the most disturbing evidence ... was the very low wage levels and employment rates that Chimbu migrants appeared to be prepared to endure, even when they maintained close links with home villages'. It is not surprising that in Ragamuka Hugh Norwood (1979, 1984) found perhaps the greatest community reliance on informal economic activities than anywhere in Port Moresby at the time. While formal employment was still the main source of livelihoods everywhere else in the city, the insecure existence of Ragamuka settlers pointed to an unpromising future, likely to be shared by a growing proportion of urban residents in the era of Independence.

Debating informality

In an early account of the Faber Mission, Keith Hart owned to the intellectual transformation he was experiencing: 'like many others in the early 1970s, I was undergoing a conversion to French Marxism' (Hart 1994). As he recalled: 'The world turned for the worse in the 1970s and the other side in the Cold War gained a lot of intellectual credibility as a result. French structuralist Marxism and underdevelopment theories coming out of Latin America and the Middle East achieved widespread circulation among Anglophone economic anthropologists at this time' (Hart 2007; see also Hann and Hart 2011, 73ff). The 'turn for the worse' had been signalled by faltering economies in advanced industrial nations, as the long post-war boom came to an end. America experienced budget and trade deficits together with 'stagflation' (the combination of high levels of inflation and unemployment) while a 'run' to gold threatened. In response President Nixon ended US dollar convertibility to gold in 1971, spelling the end of the Bretton Woods system of fixed exchange

rates. America withdrew from its war in Vietnam and, with the ‘oil shock’ of 1973, stagflation became entrenched. This situation challenged orthodox Keynesian prescriptions for macroeconomic management and punctured the optimism of the post-war period. These events also threatened the comfortable assumptions of modernisation theory in the practice of ‘development’, described by Hart in typically pithy fashion as ‘the notion that poor countries could become rich by emulating “us”’. In retrospect Hart sees ‘modernisation’ as underlying his own initial research in Ghana. But such ideas ‘gave way to gloomier scenarios around 1970, fed by zero-sum theories of “underdevelopment”, “dependency” and “the world system” advanced by the other side in the Cold War’ (Hart 2012b). Together with economic uncertainty the events of 1968 in Paris signalled changing social *mores*, the influence of anti-colonial struggles and the attraction for the young in France and elsewhere of a revived and repackaged Marxism.

Hart’s conversion to Marxism was incomplete during his time in PNG; while there he ‘formed the opinion that what was needed was a Nyerere-style rural socialist government aiming at self-sufficiency and thereby meeting the needs for both national autonomy and lower rates of Australian subsidy’ (Hart 2002). That remark reflected contemporary interest in Tanzanian socialism, an enthusiasm distinguished from Marxism and shared by a number of academics and students at UPNG. Most notable among these was the liberal and humane Anthony Clunies Ross, Professor of Economics. Before the Aims were popularised he had written that, ‘there should be some positive human objectives among those toward which policy is directed’ (this after noting that, in Africa, Tanzania stood out because it had the ‘clearest and most uncompromising commitments to certain social objectives’: Clunies Ross 1973, 228). After the Eight Aims he did not pursue the subject further, accepting them as an authentic expression of PNG aspirations.

There were also Marxists in the university, and on the fringes of government, including in the Office of Chief Minister. Like Hart, Peter Fitzpatrick was in intellectual transition, for Port Moresby, however remote from the Parisian hotbed, was not exempt from its *frisson*. French Marxist anthropology ‘enjoyed cult status’ in this period (Hart 2007) and possession of a copy of Althusser’s *Pour Marx* or Althusser and Balibar’s *Reading Capital* was as clear a claim to progressive thought at UPNG as it was on the Left Bank. Marxists were inclined to dismiss the informal ‘sector’ on the principle that ‘its proponents mystified the essentially regressive and exploitative nature of this economic zone, which they preferred to call “petty commodity production”’ (Hart 2008b). Perhaps this was why Keith Hart, as he fell under the spell of French Marxism, dropped the idea of informality for a decade or more after the Faber experience.

In the beginning Fitzpatrick seized eagerly on the Faber Report and on the idea of informality. In later years he would see this as a delusion he had experienced, embraced for little reason other than it ‘fitted and supported the merely populist basis of my research’ (Fitzpatrick 1980, viii). This had been an error, because Faber had ‘encouraged the emergence of a populist ideology’, encapsulated in the ‘anodyne’ slogan, ‘Papua New Guinea ways’ (ibid., 202). It was ineffectual because ‘the espousal of populist notions [is] not enough to bring about fundamental change’ (ibid., 204). By 1980 he had come to accept the negative Marxist view of petty commodity production and to see the Faber approach as ‘riddled with insoluble difficulty’ (ibid., viii). Faber had been mistaken to suggest ‘that greater Papua New Guinea participation in the economy could be based on elements of the traditional mode’—that is, the ‘subsistence’ economy. To do so would amount to supporting the preservation of village life, the principle espoused by McGregor and Murray (Ch. 10). In *structuralist* terms, the ‘preservation’ principle ‘made for the conservation of traditional

modes of production because they served to subsidise capitalist production and to counter potentially disruptive class formation' (ibid., 2).

Cyril Belshaw (1957, 244) originated the idea that, under a system of indentured labour for unaccompanied men, villages effectively subsidised the plantation sector. This was later taken up by Charles Rowley (Ch. 12). Fitzpatrick (who must have been aware of the latter, if not both) preferred to attribute the insight to an ideologically more congenial source, the French neo-Marxian anthropologist Claude Meillassoux (1972). To see the significance of the 'traditional mode' in Fitzpatrick's evolving thought it is necessary to understand the influence on his generation of Althusser and Balibar's *Reading Capital*. That text:

'produced a reading of *Capital* that divested it of any residual elements of Hegelian philosophy ... The phenomenology of the human subject, the dialectic and indeed history itself were in effect dropped from their scheme. In their place a *deep structure of the ideal mode of production* was outlined, having three elements—producers, non-producers and means of production—whose variable combination was realised as concrete modes of production' (Hart 2007, emphasis added).

For PNG, the most complete elaboration of this framework is found in Fitzpatrick's *Law and State in Papua New Guinea* (1980) while its influence on such writers as Donaldson and Good has been discussed above (Ch. 23). The most elaborate application of 'under-development' theory to PNG was a book co-authored by three UPNG academics (Amarshi, Good and Mortimer, *Development and Dependency: The political economy of Papua New Guinea*, 1979). For UPNG the zenith of academic neo-Marxism may have occurred when Andre Gunder Frank, a celebrated exponent of dependency theory, accepted an invitation to interview for its Chair of Economics in 1976. Its decline probably commenced on

the day when, having met his prospective colleagues (including the writer) in Port Moresby, Gunder Frank declined the university's offer of appointment.

If Hart had ever toyed with these modes of thought it was well behind him by 1982, when his *Political Economy of West African Agriculture* appeared. In that study he rejected both 'the neo-Marxist literature on underdevelopment' and the elaborate machinery of French structuralist Marxism, in favour of a return to 'the tradition of classical political economy, both liberal and Marxist'. Concerning 'underdevelopment', while acknowledging Samir Amin Hart was critical of his emphasis on 'the extraction of value from underdeveloped areas by metropolitan capitalism' at the expense of inadequate attention to 'internal social processes of economic and political mobilisation' (Hart 1982, 15–17). This is consistent with Hart's own emphasis on 'the massive impediments to growth that originate in local material and social conditions' (Ch. 1). I argue here that such local factors were also crucial in PNG. Hart remains an eclectic Marxian, but as for French Marxism of the 1970s, it 'disappeared as suddenly as it had burst on the Anglophone scene. It did not survive the great watershed of post-war history, when social democracy gave way to rule by neo-liberal conservatives ...' (Hart 2007).

Fitzpatrick's abandonment of the idea of informality may also have reflected the failure of his efforts to promote it as a practical program. During his Port Moresby years he had collaborated with Loraine Blaxter to pursue a vigorous campaign supporting government initiatives to stimulate informal economic activity, and for the removal of a raft of regulatory impediments. In 1973 Chief Minister Somare announced 'a thorough review of all current legal restrictions', to 'make it easier' for citizens to engage in informal economic activities (Fitzpatrick 1980, 242). Blaxter and Fitzpatrick (1973a, 1973b) prepared papers announcing *A New Strategy for Development* and dealing with a wide range of activities

and restrictions. Activities they discussed included 'liquor trading, passenger motor transport, street trading and marketing and small scale enterprises' (Walsh 1983, 415). They listed a catalogue of impediments, including 'penetration of expatriates into areas that are normally confined to the informal sector', 'comprehensive domination by expatriate interests of most areas of retailing and services', and 'a plethora of laws' which 'effectively debarred indigenous participation' (Blaxter and Fitzpatrick 1973b, 5).

In arguing the necessity for regulatory intervention, Blaxter and Fitzpatrick explicitly dismissed the notion of subsistence affluence as a constraint on the willingness of unemployed urban dwellers to engage in arduous and low-paid informal livelihoods (Blaxter and Fitzpatrick 1973a, 9). The garbage-scavenging Chimbu people of Ragamuka were then among the few concentrations of such desperation found in the capital. These were the people, from a non-'affluent' rural district and ill-equipped for formal urban employment, whose tenacious grip on city life had (as mentioned above) so disturbed Garnaut and his colleagues. At the time, while not denying the influence of restrictive regulation, it seemed to me reasonable to argue that the reluctance of most other urban dwellers to 'hustle' like the Ragamuka Chimbu was due to continuing subsistence affluence in their places of origin. In short, Fiskian affluence appeared to set a baseline for the levels of real income and physical exertion most migrants were willing to tolerate. So long as rural societies retained some degree of affluence this constraint would continue to operate (Conroy 1974b). But affluence was a time-bound condition, liable to be eroded by rural population growth (Fisk 1962).

To be fair to Blaxter and Fitzpatrick, the Faber Report's comments on Fiskian affluence might fairly be described as politely sceptical. Faber did not confront the concept directly; the team's views manifested instead as a series of side comments, appearing in discussion of related issues. Some of these judgements appear

to derive from vulgarised conceptions of subsistence affluence (for the term had entered the bureaucratic language) rather than the cautious and qualified Fiskian original. Faber & Co. did not characterise the development process for PNG in terms of a 'transition from subsistence' nor did they regard 'pure' subsistence as a concept of any utility for the PNG of 1972 (ODG 1973).

At the time, writing in the journal *Yagl-Ambu*, I criticised Blaxter and Fitzpatrick for a degree of 'romanticism' in their advocacy of informality (Conroy 1974b). They had claimed that 'because the economic activities of the informal sector are social and "culturally embedded" ... Papua New Guinean forms of interaction can find expression more readily than in the informal sector'. Indeed 'more personal relationships are established. Economic activities are part of the fabric of life, not compartmentalised work' (Blaxter and Fitzpatrick 1973a).

In hindsight, I see this as a laudable attempt by them to view late-colonial Port Moresby through Polanyi's eyes. It brings to mind Hart's more recent concern—influenced by Polanyi—to explore the notion of a 'human economy' (Hart, Laville and Cattani 2010). However, Hart's informality can only be 'embedded' in an economic system in which specialised mercantile functions are performed; these were absent from Melanesian societies represented in the capital during the 1970s. Blaxter and Fitzpatrick's error, shared with the historian Lewis (Ch. 10), was to confuse traditional exchange with a supposed innate Melanesian capacity to 'truck and barter'. Traditional exchange was indeed 'embedded', but in a system of social relations quite unlike those of 'the market' (Ch. 6). In the context of 1973 Port Moresby, utilitarian trade was most commonly a hybrid activity in which market economic dealings sat uncomfortably alongside, and were apt to be compromised by, traditional behaviours. The analysis will turn to that issue in the next chapter, to examine the uneasy trio of formality, informality and hybridity still pervasive in Melanesia.

In a comprehensive account of the informality debate in 1970s Port Moresby, Croz Walsh reported that Blaxter and Fitzpatrick had ‘made 38 specific proposals for the development of an informal sector’, but that ‘none of these proposals ... had been implemented by 1983’. Walsh added a clincher: ‘And yet the informal sector has grown as predicted by its detractors.’ Thus, ‘high urban wages and high rural birth rates would, according to Conroy, most probably “produce a new generation of migrants sufficiently impoverished to be willing to operate in the informal sector” without any encouragement from Blaxter’ (Walsh 1983, 415). But when engaging in this debate I had no intention to denigrate informality. Quite simply, the time was not yet ripe for vigorous informality—‘a wholly desirable indigenisation of small scale trading and service activities’—to exist (Conroy 1974b, 312).

The debate had begun in the context of substantial minimum wage increases occurring between 1972 and 1975 and the new government’s indifference to burgeoning population growth, due to the reflexive pro-natalism of the indigenous political class. These factors suggested that (on Todaro principles) informality’s time would come as rural subsistence standards declined, when urban communities such as Ragamuka became more numerous, and as town populations grew increasingly distanced from their rural roots. Fitzpatrick came later to concede the significance of Fisk’s ‘affluence’, with his oblique admission that ‘the option of returning to the traditional social formation [i.e., Fisk’s ‘subsistence sector’] remains almost wholly open to urban residents and it will usually be easier for the unemployed to do this than to attempt to engage in urban petty commodity production’ (Fitzpatrick 1982, 27). Fitzpatrick and Blaxter had engaged in one of the earliest attempts at ‘formalising the informal’ (Conroy 1974b, 313) but this proved fruitless. The lesson was that the informal economy, rather than being nurtured, would have to arise in the usual manner—as pushback against the forces of bureaucracy, vested interest and prejudice.

Walsh characterised ‘the Blaxter School’ as having proceeded ‘from the assumption that major economic changes can be accomplished by decree’. This required ‘assuming there was the *political will*’ (Walsh 1983, 416, emphasis in original). But that *will* never existed, since the ‘fragile consensus’ on the Eight Aims could not overcome the combination of entrenched interests and bureaucratic prejudice—both expatriate and indigenous—arrayed against the informal economy. One expression of this was unease about ‘urban drift’, shown in periodic motions and resolutions in the legislature—in 1964, 1969, 1971 and 1973—calling on authorities to take action against migrants. This even extended to advocacy of apartheid-style ‘pass’ laws (Oram 1976, 169). Displaying an absence of what Hart has called ‘openness to plurality’ (Ch. 5) indigenous parliamentarians were still so influenced by the colonial ‘idea of the town’ that they were affronted by manifestations of street informality. At least some politicians and bureaucrats remain so in the twenty-first century, having unselfconsciously absorbed the ‘modernisation’ ethos of aid donors in a previous generation—the belief (as Hart put it) that ‘poor countries could become rich by emulating “us”’.

CHAPTER 27

An uneasy trio of formality, informality and hybridity

IN CONVENTIONAL ECONOMIC THEORY actors, formal or informal, are supposed to react in a predictable manner to price signals. Drawing on Adam Smith's notion of an inherent propensity to truck and barter in 'natural' economies, this way of looking at economic interactions was applied to Melanesian societies by anthropological formalists such as Richard Salisbury (1970) and by development economists. For example, Garnaut, Wright and Curtain (1977) applied the Todaro model (Todaro 1969) to movements of unskilled labour to PNG towns in reaction to rural-urban income differentials (Ch 26). But there is a difference between the initiative required for an economic actor to fill a formal job made available by *another* actor, and the initiative required to make one's *own* livelihood. The first case is amenable to formal analysis, but the latter raises issues of the cultural capacity for entrepreneurship (Ch. 25) and for specialisation and exchange—matters less amenable to orthodox economic analysis.

Blaxter and Fitzpatrick's efforts to 'formalise the informal' in PNG were mistaken in assuming an innate capacity to truck and

barter among people thronging its urban marketplaces. Specialised mercantile functions were not performed in traditional Melanesia and they scarcely emerged before Independence, aside from some premonitions on the Gazelle (Ch. 19). What they mistook for trucking and bartering was traditional exchange, which has both ceremonial and utilitarian elements. 'Gifts' are transmitted through ceremonial exchange, while 'commodities'—items for consumption by the ultimate recipient—are exchanged in barter (Gregory 1982). Cyril Belshaw showed the persistence of such behaviour in the urban village of Hanuabada after the Pacific War (Ch. 17) even though by then the community was essentially dependent on wage labour, having very largely abandoned subsistence production.

By compiling household budgets Belshaw found the distribution of household nutrition among families in Hanuabada was more even than for income or expenditure. People were subject to 'specific non-continuous demands for high ceremonial spending, met in large part by small contributions from numerous helpers' (Belshaw 1957, 77). Households often postponed their own consumption to make such contributions. Much food was obtained from other villages and this was a more important source for Hanuabadans than home-produced food, or even purchased food. These exchanges were strictly of subsistence commodities, not the result of any innovation in a 'petty commodity' sector (*ibid.*). Since 'petty commodity production' is the Marxist term for what is here called the informal economy (Ch. 26), Belshaw's finding was a convincing (if unconscious) rejection of any suggestion that economic informality was present in early post-war Hanuabada. There, the adult male population exhibited very high rates of *formal* employment and low rates of 'open' unemployment.

If we accept 'gift' exchange and 'barter' as pure types, then we see in the latter what Chris Gregory called 'relations between aliens by means of alienable things', analogous to trucking and

bartering. He distinguished this from ‘relations between non-alienable things’—the Maussian *Gift* (Gregory 1997, 52–53). Ian Hughes rejected any notion of ‘pure’ barter and ‘pure’ ceremonial exchange, describing this as an unwarranted ‘idealisation’, since they are merely ‘the poles at the ends of a continuum of occasions when goods change hands’ (Hughes 1977, 209). Along this continuum one might distinguish varying degrees of what Bill Stent called *hybridity* (Ch. 5) occurring where motives for gift exchange are mingled with those for barter. Like Gregory, Hughes accepted that objects may be either ‘commodity’ or ‘gift’ depending on context (*ibid.*). But if traditional exchange can be a hybrid activity the same is true, *a fortiori*, of contemporary exchange relationships, where utilitarian monetised exchange (the market analogue of traditional barter) is often tinged with customary elements. Economic hybridity occurs where what Hart called ‘residue’ persists and anthropology provides many instances of such hybridity (Ch. 5). An orthodox economist might regard these as arising in situations where Smithian trade is compromised by Maussian exchange (with the latter seen as the product of socially regulated customs). A (non-formalist) anthropologist might judge Maussian exchange (seen as a valid set of human choices) as compromised by ‘the market’. Both perspectives are necessary to understand the reality of late-colonial PNG, where some degree of hybridity in economic life was the norm.

In 1972 Faber commented that rural informality was (unlike the *urban* informal ‘sector’) ‘showing signs of development’. In such *lucky places* as the hinterlands of Goroka and Rabaul it reflected changes occurring in livelihoods due to the introduction and elaboration of monetary exchange, and to technical innovation in agriculture, off-farm activities, marketing and services. Rural informality occurred in households where Hart’s ‘residue’—evidence of earlier modes of production and distribution such as household subsistence, traditional exchange and customary land tenure—was

still apparent. The tenacity of such customary social arrangements is bound to result in hybridity wherever people enmeshed in the social relations of *The Gift* also engage in market economic activity.

Concerning *urban* hybridity, we should recall how informal construction activity transformed much of the physical fabric of Port Moresby (Ch. 17). While presented here as ‘investment’, such activity does not fit comfortably into the mould of individualistic, utility-maximising economic behaviour because it is hybrid in character. This was shown in Morata and Hanuabada where quasi-traditional processes of cooperation and exchange between villagers (more of Hart’s ‘residue’) enabled households to accumulate physical capital. In orthodox economic theory, settlement people could be seen as receiving income streams (‘dividends’ on their ‘investments’) based on the economic value of shelter provided by their self-built housing. Belshaw’s study showed the permeability of boundaries between formality, informality and traditional exchange in early post-war Hanuabada—demonstrating that informality is very often accompanied by hybridity in situations of social and economic flux. It showed the interaction between what might be called the ‘uneasy trio’ of formality, informality and hybridity (though it is necessary to understand that not all informal activity is hybrid).²⁷

Intellectual precursors of informality in Port Moresby

Hart had precursors in the academic literature of late-colonial PNG, when geographers began to speculate how livelihoods might be

²⁷ International agencies such as ILO campaign for the elimination of informality from middle-income states in Latin America and Eastern Europe, where the weight of official corruption, excessive regulation and criminality encourages otherwise ‘modern’ enterprises to operate informally, ‘under the radar’ (ILO 2007). However the activities of such enterprises are not normally ‘hybrid’ in the sense the term is used here.

gained in towns, other than in formal ‘jobs’. In 1970 Gerard Ward suggested that ‘an increment in the capitalist sector of the town’s economy may well support a disproportionately large increase in the “bazaar” sector’, an insight he attributed to Armstrong and McGee (1968). He warned against tying urban population projections ‘too closely to estimates of growth in the monetary sector workforce’ (Ward 1971, 101–102). Again, Harold Brookfield wrote that as Melanesians came to dominate town populations, ‘the social and economic character of the towns will be transformed’. He thought it likely ‘market-places will become the true cores of the larger towns, while shops come to occupy a more specialized and less central role’. Planners ‘should perhaps be seeking clues as to the sort of towns that will develop from places like Koki in Port Moresby’. Throughout Melanesia ‘a major part of the population growth in the coming thirty years will be taken up by expansion of the towns ... Such a forecast does not necessarily depend on expansion of urban [i.e., *formal*] employment opportunities, or on general economic expansion, as experience in Africa and Asia has clearly demonstrated’ (Brookfield with Hart 1971, 411–412).

Ward noted how Armstrong and McGee (1968) had applied Geertz’s concept of ‘agricultural involution’ to *urban* Southeast Asia. In an urban involutionary process, ‘the non-capitalist sections of the tertiary sector of the urban economy can continue to absorb increasing labour to an extraordinary extent’ (Ward 1971, 101). Coincidentally, Richard Salisbury (1971) had suggested the same possibility for the Tolai (Ch. 3). He feared they might experience agricultural stagnation and involution, leading to rural-urban migration. Rural poverty would then induce a parallel process—an immiserising ‘involution of services’—in the town of Rabaul. Compared with Ward and Brookfield, who seem simply to have considered the intensification of urban *marketplace* activities, Salisbury’s was a broader model of economic organisation based on tertiary sector service provision. He acknowledged the influence

of Ben Higgins, a former colleague of Geertz in Java in the 1950s. Paraphrasing Higgins, Salisbury noted the capacity of services to absorb many workers, 'taking in one another's washing' in increasingly labour-intensive processes (Salisbury 1971, 65, n2).

Ward (1971) echoed this bleak tone, in which taking in washing connoted an unproductive 'make-work' economic system. He saw informality as a sponge, absorbing urban unemployed in a situation of 'shared poverty'. Ward's prediction of dysfunctional urban growth for PNG, based on an almost unlimited capacity of its towns to absorb rural surplus labour, seems to have been excessive. He projected 'that an urban population nearer 1,000,000 than 500,000 should be expected in 1991' (ibid., 103). Fortunately, urban populations totalled only some 555,000 in 1990, with the urban share at 15.5 per cent, and urban masculinity at 126/100 (NSO 2004). Suggesting Todaro's equilibrating forces at work, these numbers indicated increasing 'normalisation' of population, rather than runaway urbanisation.

Hart did not represent his urban informal economy so direly, although initially he felt unable to resolve the question with which he had commenced: 'Does the "reserve army of urban unemployed and under-employed" really constitute a passive, exploited majority in cities like Accra, or do their informal economic activities possess some autonomous capacity for generating growth in the incomes of the urban (and rural) poor' (Hart 1973, 61). He could not endorse either a Marxian scenario of deprivation or the 'liberal', 'optimistic' possibility of 'a dramatic "bootstrap" operation, lifting the underdeveloped economies through their own indigenous enterprise' (ibid., 88–89). A decade later he returned to this question. He had come to believe that a modernising West African agriculture would generate 'an inevitable surplus of workers over the labour requirements of the organised urban economy, but the excess population will be supported by the trickle-down effect of government expenditures and by *the inherent economic dynamism of*

concentrated urban markets, which generate an almost infinite range of activities based on commodity exchange' (Hart 1982, 162 emphasis added). Hart was now pinning hope on an Arthur Lewis transition (Ch. 15). 'Eventually this work force will be absorbed into enterprises requiring cheap labour in considerable amounts' (ibid.). Most recently, in 2013, Hart felt buoyed by a contemporary wave of optimism for development prospects and economic integration in sub-Saharan Africa. He felt encouraged to declare that 'Africa's urban informal economy everywhere supplies food, housing and transport; education, health and other basic services; mining, manufactures and engineering; and trade at every level, including transnational commerce and foreign exchange'. Among the challenges for Africans was to build on this dynamism, by renewing 'the movement for greater continental unity' (Hart 2013).

The limited scale and scope of Port Moresby's informality

If it is not too mundane a prospect after such heady speculation we should return to 1970s Port Moresby. Hart's informality attracted enthusiastic political support, but also some scepticism, notably from Peter Williamson (1977). He accepted that 'affluence' constrained the level of urban informal activity, but thought this would change with population growth. Blaxter and Fitzpatrick's 'dream' of informality would in time become an urban 'nightmare' (cited in Walsh 1983, 415). Williamson's vision was neo-Marxian, with the poor seen as excluded, or marginalised, from access to opportunity. Dismissing the Somare government's support for informality as naive he asserted the need for a class solution—the radical restructuring of social and economic relationships. His approach was enlightened insofar as he pointed to the importance of illegal activities as an element in informality in mid-70s Port

Moresby. Perhaps this derived from a view of informality as urban pathology, but it was also consistent with Hart's original description (Hart 1973). Williamson was also outspoken in opposing Blaxter and Fitzpatrick's proposals to repeal public health and safety regulations, to encourage informal restaurants.

Unlike Williamson, Hugh Norwood was no sceptic. With (like Nigel Oram) previous experience in Africa, he assumed Oram's task of charting Port Moresby's burgeoning informal settlements. Norwood was involved in preparing the first national housing plan, incorporating breakthrough self-help policies (NHC 1975); later he campaigned for regulatory frameworks supporting informal investment in housing and local infrastructure initiatives (Norwood 1982). Affronted by my assertion that self-employed economic activity in Port Moresby was more distinguished by *invisibility* than informality (Conroy 1974b) Norwood documented the character and content of the 'informal sector' in the capital. Over a series of invaluable publications (Norwood 1978, 1979, 1984) he stressed the significance of informal construction as an element in the physical growth of the city, while recording urban informal livelihoods.

Among informal activities, Hart had distinguished between 'legitimate' and 'illegitimate' activities and documented the extra-legal provision of 'those goods and services usually associated with any major city's "red-light district"' (Hart 1973, 74). Norwood had no time for Hart's non-judgemental empiricism: 'Hart included thieves, vagabonds and prostitutes as part of the informal sector. Of course if we were to include the rascals²⁸ as part of the informal sector in Papua New Guinea we would have no great problem in showing that the informal sector is thriving' (Norwood 1978, 61). His observations of informality excluded many activities on

²⁸ 'Rascals' (*Tok Pisin, raskol*): criminals, possessing little of the raffish charm the term suggests in English.

moral grounds, but apart from residential construction Norwood's account of informality in the capital did not show it as thriving by international standards.

Recalling Hart's taxonomy of 'legitimate' informal activities in Nima (Ch. 2) will show just how threadbare Port Moresby's informal economy was in 1972. Hart distinguished numerous categories of primary (including urban agriculture), secondary (petty manufactures, artisanship) and tertiary activities, conducted by an 'urban proletariat' (Hart 1971) or 'sub-proletariat' (Hart 1973). The informal economy provided a large proportion of the consumption needs of residents in Nima and other such suburbs, but it also 'exported' goods and services to middle-class neighbourhoods. Concerning 'illegitimate' activities (described as 'all-pervasive') Hart made a distinction between illegal 'income opportunities' and criminal 'transfers'. The former involved providing goods and services, not only within Nima but also to middle-class neighbourhoods. Along with extraction of money from citizens of Nima through trickery and theft, the 'bourgeois' world of greater Accra was the unwilling source of many 'transfers' (owing to theft and burglary, for example). Urban crime was, *de facto*, a powerful agent of redistribution.

By comparison, Norwood's listing of informal activities (all 'legitimate') was modest. He offered a catalogue of informality which, aside from construction, included carvings and handicrafts, some produced in 'workshops'. Settlements acted as 'collection depots' for bottles and regular lorry pickups operated. Firewood was collected, cut and sold in a 'widespread system' from the urban villages and settlements. Motor vehicle repairs were done in many of the urban villages, whose inhabitants included skilled tradesmen, while the unskilled residents of Ragamuka extracted copper from cars for sale to scrap-metal dealers and picked over rubbish dumps for materials (including for home construction). Urban food gardening was 'well organised' and 'growing fast' while

swamps inland of the city supported a community of a thousand migrants, ‘completely dependent on the urban economy’, who caught *tilapia* fish for the markets (Norwood 1978, 61–64). In the markets, on a Saturday in April 1978 he counted over a thousand vendors in seven official marketplaces (including some 430 at Koki) and another 120 in unofficial ‘street markets’. Commodities for sale were mostly vegetables, with some handicrafts such as string bags (*bilum*). Betel nut (*Areca catechu*), a traditional stimulant, was offered in official markets and was the most important commodity in street trade. The ubiquitous PMVs (passenger motor vehicles) were ‘basically a system operated by the informal sector’. Apart from these, and informal construction, the only other service mentioned was the occasional ‘lawn-mower man’ (ibid.). He made no mention of ‘middleman’ services, though my own recollection is that—in an embryonic intermediary trade—some Highlanders were beginning to buy betel nut directly from producer-sellers for resale.

Norwood’s account of informal construction (written some years after Independence) suggests a more monetised process than was seen in Belshaw’s account of Hanuabadan ‘home improvement’ in the 1950s. To call it ‘self-help housing’ was ‘a misnomer’, for ‘what in practice occurs is that a network of small scale sub-contractors grows up composed of people who do the actual house construction’ and ‘who get their materials from cheap local sources such as offcuts from the timber mills’ (ibid., 65). This is not entirely consistent with another account in which Norwood reported that urban self-help housing may employ the labour of friends and affines, or it may obtain ‘paid specialist help on difficult bits’, commenting that ‘short-term use of specialist paid labour is an integral part of every self-help housing scheme (including unplanned squatter areas) I have ever seen in Africa and Asia ...’ (Rabuni and Norwood 1979, 338, n14). The implication was that this was also the case in PNG. It is more reasonable to

suggest that, while informal housing construction was becoming more commercialised, pervasive elements of traditional exchange remained; most urban home-building or home-improvement projects were still hybrid at Independence.

Norwood's reference to PMVs provided another important instance of informality combined with hybridity. Many of these vehicles were owned by village groups or extended families; they often had the character of communal utilities rather than commercial enterprises. He remarked that:

'Very few PMV operators in fact make a profit. But they are nonetheless the most important component of the urban transportation network in this country ... you can use a PMV for carrying passengers, taking food to market, a family picnic, a trip to the home village or otherwise as the occasion demands. Capital invested in a PMV rarely stands idle [and] Port Moresby would grind exceedingly slowly if we had to rely on a formal transportation network ...' (Norwood 1978, 66).

PMVs were essential to maintaining the active rural-urban linkages which supported urban informal activity. Towns such as Port Moresby tended 'to draw the economic life of neighbouring villages towards themselves, as villagers enter wage employment or activities that depend on cash flows that originate in the town' (Garnaut 1977b, 86). This process had 'accelerated everywhere with the improvement in roads and the establishment of village-based trucking businesses. There are people who lead very urban lives outside the boundaries of all the major towns ...'. Garnaut cited the Motu village of Gaire, some 50 km southeast of the capital where:

'8 per cent of work-age males who were considered to be residents of the village commuted daily to employment in the town. A further 37 per cent slept in Port Moresby during the week and returned to the village most weekends. Six per cent

were employed more or less full time in trucking and retailing businesses that were heavily dependent on the custom of urban commuters' (ibid.).

This showed a mix of formal and informal incomes and evidence of increasing synergy between town and country. Returning to Norwood's survey of vendors in the capital's markets, the great majority were just such people as the Gaire village commuters. Their market dealings were not so much a matter of *urban* informality as the urban face of a *rural* informal economy—a phenomenon also typical of Rabaul market. Such activity cannot be advanced as evidence of urban informality. Only if urbanites produced food for sale on town land (as some did), or purchased rural produce for resale in the town (as few did at the time), would this constitute *urban* informal activity.

Norwood's tally of informal economic activity suggests the limited scale and scope of Port Moresby's informal 'sector' in the mid-1970s. There were almost no petty manufactures. Service activity, aside from the important instances of construction and transport (and a rather vague reference to vehicle repairs) was very limited. Quasi-subsistence activities (gardening, fishing, firewood collection) were relatively important—a paradox of the urban informal economy in PNG towns, since in most other countries the urban scarcity of such primary resources forces people into service and trading activities more typically associated with urbanism. Concerning trading, Port Moresby's markets combined could muster only half the 2,000 vendors recorded by Scarlett Epstein at the Rabaul *Bung* as early as 1961. An apparently trivial circumstance was symptomatic: in an urban economy where firewood was used for much cooking, transport costs were relatively high and timber was abundant outside the town, 'charcoal is unknown [although it] is the basis of much of the informal sector in Africa and South America' (Norwood 1978, 67). Blaxter and Fitzpatrick might inveigh against regulatory barriers to street food

in Port Moresby but these were inconsequential compared with this technology deficit.

Interest in the informal economy following the Faber Report led to an urban household sample survey, conducted across major towns in 1973–74 (Garnaut et al. 1977). Earlier census data had shown little evidence of urban *self*-employment, with totals for the whole country of 432 persons in 1966 and 1,100 in 1971 (or less than 2 per cent of the employed urban workforce; *ibid.*, 6). In this later survey, across all Port Moresby households only 3 per cent were without any wage earner. The highest incidence of wagelessness, at 6 per cent, occurred in the city's traditional villages. In the settlements, Ragamuka (mentioned frequently above) was notable for its high incidence of wageless households. Across the town only 8.5 per cent of men (and 15 per cent of women) reported earning some informal income in the previous week. Echoing Hart's findings in Nima, in Ghana (Ch. 2) for these men informal economic activity was as likely to be a supplement to wage income as a specialist activity. Moreover, 'very few men or women earned as much as the urban minimum wage from informal businesses' (*ibid.*, 126–127).

Other than in urban villages, the few wageless households had typically migrated from far distant, relatively disadvantaged places (*ibid.*, 125–126 and table 6.3). Wageless households in Port Moresby 'sold things' (22 per cent), borrowed money (4 per cent), received food as transfers (24 per cent), grew their own food (18.5 per cent), and had 'other' (26 per cent) sources of support (*ibid.*, table 6.4). These numbers suggest the 'urban subsistence'²⁹ and 'exchange' economies were probably more important than monetised informal activities. Finally, Croz Walsh reported some official data for urban household expenditures in 1975–76 (NSO 1976). The average outlay on purchases from market and street vendors in Port Moresby was

²⁹ On the concept of 'urban subsistence', see Evers (1981).

12 per cent of all 'citizen' expenditures (Walsh 1983, 416). Given the importance of betel nut in the urban consumption 'basket' (later estimated at 7.5 per cent; Connell 1997, 71) this suggests the very limited scale and scope of other elements in the urban informal economy.

Why so threadbare?

Why was economic informality insignificant in the capital on the eve of Independence? First, there is the anthropological evidence (Allen 1985; Harding 1994; Hughes 1977) suggesting specialised mercantile functions had no analogue in traditional Melanesia. This provides some explanation for the tardy emergence of informal enterprise (though not suggesting it could never emerge). On the Gazelle, vigorous rural informality was evident, while only of a 'secondary' character (notwithstanding some incipient middleman activities). Activities there were characteristically tinged with hybridity, suggesting incomplete progression from one mode of economy to another. Similarly, informality in Port Moresby was seen in (for example) investments in private construction and 'communal utilities' such as PMVs. The city offered abundant evidence of hybrid behaviour, although much less of the individual economic activity evident in Rabaul.

Blaxter and Fitzpatrick's argument turned largely on the issue of regulatory impediments. Historically, on the Gazelle Peninsula, German and Australian authorities failed to suppress Chinese and Tolai informal activity despite weighting the regulatory scales against them (Chs. 8–9) and it can be argued that the absence of Chinese from Papua until the late 1950s impeded the rise of informal activity there (Ch. 10). Impediments listed by Blaxter and Fitzpatrick can hardly have encouraged indigenous 'micro-entrepreneurs', but legal measures have had limited effect in preventing antisocial behaviour in other spheres of PNG life.

‘Law and order’ problems are still a major impediment to formal economic activity in the twenty-first century (Betteridge and Howes 2013) and informal activity is even more vulnerable to disruption—whether by criminals or by the criminal behaviour of those appointed to police them.

Other considerations include technological unpreparedness (leaving aside urban agriculture, to which traditional skills are directly transferable). Scarlett Epstein was disappointed by the absence of informal manufacturing on the *Gazelle* (Ch. 19) and Norwood remarked their paucity in Port Moresby. Difficulties of remedying this were suggested by Bill Stanner soon after the Pacific War (Ch. 1). Though dated, his comments suggest the magnitude of the skills gap: ‘native handicrafts and productive techniques are still extremely backward’, using ‘the simplest cutting tools and equipment’. Traditional techniques often involved great skill, but this did not transfer readily to modern tools and techniques. Although individuals were ‘highly teachable’, in the main ‘conceptions and skills remain primitive’. Traditional methods of ‘dealing with the environment, the tools and equipment ... are all closely linked with a simple division of labour, little specialisation, and an undeveloped system of trade (Stanner 1953, 394). There is no hint of determinism, and Stanner’s references to ‘division of labour’, ‘specialisation’ and ‘trade’ anticipated the argument of this study.

Other problems held back informal food preparation. Traditional hygiene standards brought street vendors into conflict with health inspectors. The absence of charcoal was relevant to food preparation but also had wider implications. Charcoal-making would have been a valuable micro-industry and have provided inputs for other activities. Walsh suggested prepared foods for indigenous consumption were cornered by the formal sector. He neglected the possibility of indigenous operators, appropriately equipped and with greater understanding of technical possibilities,

preparing foods more congenial to local tastes than industrial fast food.³⁰ Street food was merely one example of a broader problem, the need for an informal production system capable of supplying a basket of goods and services suited to indigenous tastes and incomes, and priced accordingly, rather than one heavily dependent on imported commodities.

Among the reasons for limited informality advanced by Walsh (1983, 416) were historical ('recent urbanisation'), cultural ('inappropriateness' of skills, absence of middlemen), and institutional barriers. The latter included 'lack of opportunity to develop small-scale activities ... in an urban economy which in itself displayed limited economic functions' and 'was dominated by two large overseas firms and entrenched small and middle-sized enterprises also controlled by aliens'. This is persuasive; his account of industrial structure in Port Moresby overlaps that of Blaxter and Fitzpatrick ('comprehensive domination by expatriate interests'), and contrasts with late-colonial Rabaul. There, the 'commanding heights' were less oligopolistic, and an understory of medium and small Chinese enterprise still existed to offer opportunity and example to independent Tolai enterprise.

Then there are factors associated with 'the idea of the town', which Nigel Oram (1976) thought so deadening in patterning the livelihoods of people in Port Moresby. He contrasted the colourful and chaotic urbanism of the pre-colonial city of Ibadan with the

³⁰ A contemporary Vietnamese observer commented on the 'street-food' issue: such services 'require adequate knowledge and/or modern sector experience'; their development would be delayed 'until the presently acute shortage of indigenous skilled manpower ... is fully satisfied'. Street food needs 'complementary services and knowhow. Sidewalk street stalls not only need cheap and effective sources of energy ... They also require a great deal of culinary inventiveness and innovation ... However the cooking tradition in PNG ... cannot be easily modified or adapted ... [while] subsistence and imported food ingredients are relatively expensive for ... low-income national families' (Lam 1978, 15).

retarded urbanism he found in Port Moresby (Ch. 11). It reminded him of towns established in Eastern Africa by British colonialists—quite unlike Ibadan, where formal and informal manifestations of urbanism were side by side. Where rigid zoning occurred it robbed colonial cities of the capacity for informality. Keith Hart has made the same point:

‘In West/Central Africa, where white settlement was minimal, the cities were substantially an indigenous creation and their markets were always unregulated. Foreign middlemen like the Lebanese flourished outside colonial controls ... In Southern Africa, however, cities were built by white settlers who imposed strict controls on the movements of Africans. South Africa’s informal economy today is hedged in by rules and interests ... designed to promote modern industry. Elsewhere, in Zimbabwe, Mozambique and Kenya, the state has long played a more controlling role than would be considered normal today in Lagos or Dakar’ (Hart 2013).

Finally, there is the relative ‘affluence’ of the subsistence economy. In conditions still applying in the mid-1970s rural affluence set a base rate for the levels of real income and physical exertion most urban incomers were willing to tolerate (Conroy 1974b). My argument was that rural population growth would whittle away Fisk’s surplus margin over time and increasing numbers of urban migrants would be forced to ‘hustle’. This was how it affected the impoverished Chimbu in Ragamuka, even before Independence. Fitzpatrick came to accept this and Williamson accepted it from the beginning but Walsh thought it superfluous. He preferred an explanation based on ‘the nature of the urban economy and the place of the rural poor within that economy’ (Walsh 1983, 416).

The construct of subsistence affluence rests on the same foundations as another generalisation central to the argument here: that PNG’s subsistence societies neither needed, nor did they

throw up, any professional traders, merchants or itinerant peddlers. In Fisk's model (1962) the social groups enjoying affluence were self-sufficient, though in practice they engaged in traditional, non-market exchange—both ceremonial and utilitarian. But the essential feature of such societies—what Fisk called a 'recognisable caricature' of reality, and others a *stylised fact*—was an *in principle* self-sufficiency. 'Affluence' was founded on this construct, sufficiently close to the truth to justify also the generalisation (arrived at independently by Allen, Harding and Hughes; Ch. 6) that PNG lacked mercantile societies. These linked ideas, of subsistence affluence and the absence of a mercantile tradition, provide an explanation of the slow emergence of an informal monetised economy in colonial PNG.

CHAPTER 28

Dilemmas and consequences of urban growth

HAVING DEALT WITH post-war events to the Faber period and political developments to Independence in 1975, this study turns now to other late-period matters significant for the informal economy. To avoid distortions from an arbitrary cut-off date, the narrative will touch selectively on the post-Independence period. Hindsight's luxury may enable conclusions to be drawn concerning the longer-run significance of events between 1972 and 1975. At Independence formal wage employment was still of overwhelming importance to Port Moresby livelihoods, while Garnaut, Wright and Curtain (1977) demonstrated that urban informal incomes were no more important than either urban subsistence or traditional exchange (Ch. 27). Wage determination processes were examined (Ch. 15) for their influence on the stability and productivity of a growing urban workforce. That account left off after describing how, during the 1960s, colonial authorities felt their way towards a tripartite regulatory framework and a wage structure supporting a committed urban workforce.

By 1972, with a new government including former and serving trade unionists, the stage was prepared for what Garnaut termed

a ‘structural change’ in the wages system. This delivered a shock with implications for rates of urban migration and employment. It coincided with a setback to the national budget, taking the form of ‘cessation of the strong growth in Australian aid and real public expenditure that had provided the main impetus to the expansion of urban employment from the early 1960s to about 1973’ (ibid., 186). The departing Australians enforced a programmed reduction of aid, presenting PNG with a fiscal challenge and imposing financial stringency on the young nation.

The Gordian knot of wages policy, revisited

In 1972 a newly constituted Minimum Wages Board (MWB) raised Port Moresby’s unskilled wage from \$8.00 to \$11.50 weekly (and to \$13.80 after 12 months). Garnaut thought the initial increase sufficient, by itself, to ‘exceed the opportunity cost of labour drawn from the village by a significant margin’. It was enough to tip the balance of advantage, between working in village or town, decisively in favour of the town option (Garnaut 1973, 173, n9). Rapid inflation in 1974 impelled another MWB hearing as public demonstrations and student protests rattled the Government (Hegarty 1998, 221). Garnaut, then working at the New Guinea Research Unit but soon to take up a senior policy role at the PNG Ministry of Finance, was dismayed to learn that government, on advice from remnants of the colonial administration, had decided against making any submission to the wages hearing. Reading signals that the Board would react extravagantly to political pressures, and in the absence of any coherent response from employers, Garnaut made a private submission to the MWB. Arguing that if the Board judged real wage increases to be warranted—and he acknowledged that circumstances might eventually justify real wage increases, even large ones—he urged such increases be phased-in over time, and with caveats applied.

Garnaut argued that the MWB determination should not be ‘a limited response to short-term economic circumstances’, but should be ‘set in an appropriate long-range context’. He suggested a ten-year timeframe, during which proposed natural resource projects ‘would commence to alter the picture’, by increasing national capacity to pay real wage increases. Garnaut thought, on reasonable assumptions, ‘it would be probable that the nation could afford an increase of 50% in real wages over the decade’—even 100 per cent in the event of major improvements in PNG’s external economic environment (Cunningham 1974, 8–9). That was only one possibility, but phasing-in any wage increases gradually would allow most of the increase to be withheld, if it were shown by subsequent events to be unwarranted.

In the event, the 1974 hearing established the principle of an ‘Australian-style’ family needs-based wage. It increased the urban minimum to \$20.00, to be followed by a further increase to \$25.80 in 1975. It also determined that another Australian precedent—automatic indexation of wages against consumer prices—should apply. As Garnaut recalled, the Board awarded ‘large increases in the urban minimum wage after a series of hearings that were well tuned to the political hysteria of the time, without having official government advice on the stabilisation problem’. Subsequently, it ‘became aware that urban wage developments ... had forced much of the burden of adjustment to later, harder times onto poorer, rural communities’ (Garnaut 1977a, 16).

Automatic indexation had the effect of ‘locking in’ these substantial real wage increases; its consequence was to install what one commentator called ‘the fatal Australian system of wages indexation’ (McGavin 1991). PNG would be burdened by an inappropriate and crippling piece of Australian industrial relations machinery. Australian advocate Bill Kelty appeared at the hearing for PNG trade unions and called Chris Gregory, then a UPNG economist, as an expert witness to argue for indexation

(Cunningham 1974). Much later, another economist commented that:

‘the most important effect ... was to feather ... the nests of those privileged enough to have formal employment in an urban centre. Among the “achievements” of the pre-independence 1972 and 1974 wage determinations was the fostering of an explosion in urban wages and the strengthening of the dichotomy between urban and rural rates. In fact, between 1972 and 1975 the real urban wage for unskilled workers increased by 118 per cent while the real rural rate increased by just 2 per cent’ (Levantis 1997a, 54).

After these events Garnaut made an enigmatic observation: in the early years after Independence the ‘coincidence of the large increase in urban wages and increased difficulties of obtaining employment would have had quite complicated effects on perceptions of the attractiveness of urban residence’ (Garnaut et al. 1977, 187). This statement is decodable if Todaro (1969) is understood as his starting point. Garnaut anticipated substantial wage increases to precipitate increased in-migration by jobseekers, emboldened to endure more extended periods of urban unemployment. In the longer run, the migratory impulse would be countered to some (unknown) degree by a reduced availability of employment opportunities. This would result from the presumed negative reaction of private employers to increased labour costs, and the negative impact on employment of the ‘tapering’ of Australian aid. Wage increases would reduce labour turnover among the employed, making life more difficult for jobseekers. ‘Family-based’ wage rises would encourage greater inflows of women and children, contributing to the normalisation of urban population structure. Over time these processes would increase the numbers of those whom Garnaut called the ‘dispossessed’ (Ch. 26). These were persons (perhaps

born in the town) who had lost contact with village society and had no option of returning.

The net effect of these disparate forces on ‘perceptions of the attractiveness of urban residence’ was problematic. Any increase in net inward migration would probably raise the incidence of open unemployment and increase incentives for the unemployed to engage in legal or illegal informal economic activity. In the longer run the propensity to engage in urban informal activities would also be increased by rural population growth and the continuing erosion of subsistence affluence (Conroy 1974b). As against that, greater *rural* market economic activity, including cash cropping and a thriving rural informal economy, might operate to counteract the forces of urban immiserisation to some degree. This latter set of possibilities was explored in previous chapters concerning post-war Goroka and Rabaul.

The first Somare government did not make a submission to the 1974 MWB determination. Nor did it formulate a coherent wages policy before the end of 1975, ‘by which time a large part of the increases in resources that became available to the government over the five year period [of Australia’s aid commitment] had been appropriated by urban workers and public servants’ (Garnaut 1981, 187). Once ministers understood this, the government ‘opposed strongly any [further] increase in real wages, but has not contemplated the large *reduction* in real wages that would be necessary to achieve balance between rural and urban benefits in the short term’ (Garnaut et al. 1977, 191, emphasis added). On this point, at least—the importance of the balance between rural and urban benefits and the need for sacrifice—Keith Hart would have agreed with Garnaut. In a paper addressed to a PNG audience, Hart (1974) emphasised the importance of ‘the distribution of welfare’. This was ‘so much distorted in favour of towns [that it] attracts people away from the land, even when the threat of penury does not push them off it’

(*ibid.*, 11). Hart is scornful of orthodox economics, as embodied in constructs such as the Todaro model employed by Garnaut and others (including the writer) for the analysis of such situations. ‘How perverse, then, to draw attention to the “minimum wage” or to “education” as *causes* of rural-urban migration!’ (*ibid.*, emphasis in original). Hart’s alternative was Spartan. He urged the new PNG elites to accept:

‘that they themselves constitute the greatest threat to their country’s well-being, with their borrowed life style, borrowed attitudes and borrowed money. They must accept reduced living standards and look to policies which are inspired by local needs and availability, rather than be guided by imported western [*sic*] notions of what is appropriate’ (*ibid.*, 14).

Failure by the PNG elites to accept this counsel of perfection must be central to an explanation of subsequent events, whether framed according to orthodox economic theory or Hart’s own political economy. Garnaut’s analysis started with wage levels, though his account of *causes* was more nuanced than Hart suggested, since it also revolved around the ‘distribution of welfare’. Garnaut articulated a contemporary, more complex, version of the ‘Gordian knot’ (Ch. 15). Wages policy is ‘very important to the containment of rural-urban imbalance’ but PNG governments face dilemmas, because:

‘urban wages and salaries support much higher standards of living than are available in rural areas, and yet the living standards of nationals in the towns are very low ... in comparison with the very large ... numbers of foreigners ... present in the towns. Minimum wages are also modest in relation to living standards in the most prosperous village communities. Urban minimum wages are very high compared with incomes in rural areas, and yet much lower wages would not support the stability

in the workforce that brings large benefits to productivity in some occupations. Wage and salary levels for people with special skills and long experience of formal education are very high by village standards, and yet differentials within the wage and salary structure are very small by international standards' (Garnaut et al. 1977, 191).

Policy options were limited because real wage levels and wage differentials were now mostly 'locked in' by indexation. Garnaut suggested government had more flexibility to improve rural-urban balance by skewing the allocation of its spending. But this was beset by political difficulties, not least 'pressures for conspicuous expenditures in urban areas'. He thought urban unemployment would likely worsen, though the problem should not be exaggerated: 'urban unemployment is one symptom and, at this stage, one minor cause of the very large national problem of inequitable income distribution'. And, in another enigmatic observation, he suggested that as unemployment grew more serious this realisation might '*expand the range of politically feasible policy options*' (ibid., 193, emphasis added). His analysis was guided by a political economy not so very different from that governing Hart's Spartan policy prescription.

In the event, as McGavin commented later, 'minimum wages remain in 1990 ... at much the same real level as in 1975. An inflexible wages policy that inhibits economic growth had been set in place' (McGavin 1991, 39). Partial indexation after a new MWB decision in 1983 engineered moderate falls in real wages in later years—but with the partial indexation enforcing 'speed limits' on real wage reductions. Urban minimum wage regulation effectively ended in 1992, with the establishment of a national minimum at the much lower level of the rural wage. These changes and their consequences for the informal economy are discussed below, in the Epilogue to this study.

Urban growth and change, in the 1970s and beyond

To consider demographic consequences of wage increases between 1972 and 1975, an examination of the record of urban population and employment in subsequent years is necessary. Walsh concluded that 'the period 1971–80 showed continued high rates of migration to most towns, most especially to Port Moresby and Lae'. At the national level, urbanisation experienced in PNG was exceptional: 'between 1966 and 1980, the urban sector ... had more than trebled (104 to 366 thousand) to include some 12 per cent of the population compared with nearly five per cent in 1966. Citizen annual population growth in Papua New Guinea between 1966 and 1980 was about 2.1 per cent; urban sector growth during the same period was at least nine per cent and for the period 1971–80, probably about eight per cent' (Walsh 1984, 79).

For the capital, we are also able to consider the shorter period to 1977 because an urban population study was conducted in Port Moresby in that year. From the 1960s it experienced secular demographic change, associated with a shift from circular labour migration to more permanent urban residence. An index of this was the progressive normalisation of its population, the convergence of urban age, sex and dependency ratios towards national averages. The proportion of wage earners to population in the capital fell rapidly from 0.42 (42/100) to 0.35 between 1966 and 1971, and to 0.32 at the time of the urban household survey in 1973–74. This represented progressive increases in the proportion of dependents to employees (Garnaut 1979, 9). But results of the urban survey in 1977 suggested a pause in this process. The ratio seemed to stall at 0.31, 'despite very large increases in earnings per employee' after the wage increases of 1974 and 1975.

Garnaut concluded that 'the maintenance of relatively high population growth in recent years seems to have been made possible *only by an acceleration in the rate of expansion of citizen wage employment in*

Port Moresby’—that is, rather than by continuation of the secular trend of increasing family formation (*ibid.*, emphasis added). He showed that the proportion of work-age males in wage employment remained essentially constant between the surveys of 1973–74 and 1977, but that significant changes had occurred among the rest of the adult male population. Specifically, the proportion of men ‘actively seeking work’ (i.e., the ‘involuntarily’ unemployed) increased, while the proportion of ‘short-term visitors’ to the capital (the ‘voluntarily’ unemployed) decreased. In sum, ‘open’ or ‘involuntary’ unemployment increased in Port Moresby between 1973 and 1977 (*ibid.*, 10).³¹

Because this account has referred frequently to the ‘Todaro model’ and made the case for its applicability, we should consider how the trends described may be interpreted in terms of it. Todaro (1969) was concerned with the inflow of adult *jobseekers* to the urban labour market, rather than the total inflow of *migrants* to urban centres. It is an oversimplification to attempt to relate changes in incomes and job prospects to the rate of growth of *total* urban population (Conroy 1977, 7–8; Garnaut 1979, 11). The model makes predictions about changes in unemployment levels, subject to countervailing forces. These were, first, income differentials, raised dramatically by the wage increases of 1972–75. Second, employment opportunities increased in the capital in a buoyant economic environment occurring in the immediate wake of Independence. One would expect the Todaro model to predict greater involuntary (open) unemployment in the face of increased in-migration of jobseekers responding to wider urban-rural income differentials. That is what Garnaut found. Further (and even more important) the 1977 data suggested ‘a workforce characterised by much lower rates of employment *turnover*, which possibly emerged in

³¹ See also Garnaut, Baxter and Krueger (1983, 151–158) for the continuation of these trends to 1980.

response to the increased wages through 1974' (Garnaut, *ibid.*, 11, emphasis added). Lower labour turnover made jobs more difficult to find.

These countervailing forces produced a situation in which a more highly-paid workforce was operating in a tighter labour market. But because the rewards for patience in job-search were higher than ever before, the unemployed were prepared to hang on longer in town. This situation should have been more favourable to the emergence of informal economic activity, particularly as the numbers of young people, 'dispossessed' by reason of having grown up in the city, were also increasing. In future years the longer-term implications of inordinately high urban wage levels (inordinate by comparison with rural living standards) would work through urban society, often with unpleasant results. Levantis later attributed the spectacular increase in criminality in late twentieth-century Port Moresby to the operation of these forces (Levantis 1997b). Economic crime (recognised as informal by Keith Hart [Ch. 2]) became significant in the growth of urban informality.

Port Moresby appeared alone among PNG towns in enjoying a high rate of population growth over the whole period 1971–77 (Garnaut 1979, 11). Further, only in the capital was rural-urban migration of much greater significance than natural increase in determining total population growth (Conroy 1982b, 18). For the longer period to 1980, the national census that year permitted analysis of 'duration of residence' data for urban areas, and inter-provincial moves before and after Independence. After examining the evidence, Walsh thought it 'reasonably clear' that the capital 'had experienced a high, and possibly an increased rate of migration, and therefore of [population] growth, *since* Independence' (Walsh 1984, 80, emphasis added). Reflecting its political and bureaucratic importance, Port Moresby had emerged as PNG's primate city.

Before self-government, Clunies Ross (1971, 473) had written that 'viewed as a national economy' PNG was 'one of the least

internally integrated'. In the absence of anything resembling a national road system, a number of port towns (Rabaul, Madang, Lae, Port Moresby and others) had each served its own hinterland. They were oriented to local export-agriculture or mining, and largely cut off from the rest of the country. Aside from the administrative functions of governments and Christian missions, these towns were decentralised focal points for local commerce, transport and communications. At the end of the 1960s, aggregate commercial production was centred primarily on exports (40 per cent of market sector net national product in 1969/70) while imports of goods and services were 55 per cent of market sector gross national expenditure. The national economy was extremely 'open' while markets for domestic produce were small and localised. In consequence, 'only a very small proportion of urban cash spending on food goes on local vegetables, fruit, fish and meat, which include the traditional staples'. Clunies Ross commented that 'presumably [imported] rice, flour, sugar and tinned fish and meat are more conveniently procured than the corresponding local foods, and in some towns they are much cheaper per unit of food value' (*ibid.*).

Suggesting potential for incremental import-replacement of foodstuffs, domestic production and marketing of food in and around Port Moresby had increased 'markedly' in the 1960s (though only to an annual total of \$5 million, as against food imports to the town of \$37 million in 1970) and prices were rising in the face of excess demand (Langmore 1972, 26). A decade later Garnaut was more sanguine about the state of the domestic produce market, citing estimates of annual national marketed produce worth some K100 million, perhaps as much as 12 per cent of private final consumption expenditure. Sales were growing faster than population in urban areas (Garnaut, Baxter and Krueger 1983, 94–95). But such improvements represented no more than incremental progress towards self-sufficiency.

At Independence PNG remained a predominantly agrarian society capable, in principle, of feeding its rapidly growing urban populations but still exhibiting very limited internal market integration and high import-dependence for marketed food supplies. Correcting this imbalance would require non-marginal change, a shock capable of altering the sluggish trajectory of internal market development by stimulating indigenous food production and marketing. Detailed discussion of the post-Independence period is beyond the scope of this study. However, a brief account below—an Epilogue—will suggest how the necessary ‘shock’, structural change in urban wages, played out over the last quarter of the twentieth century. It will also consider the further evolution of informal economic activity in the early twenty-first century.

Epilogue

‘ONE OF THE DIFFERENCES between anthropology and economics is that the ethnographic tradition is a genre of realist writing based on foregrounding people’s activities in the places where they live, whereas the latter is a species of thinking, generating ideas about what should be done to solve society’s economic problems. I have tried to beat a path between these two intellectual models, but in the process the idea of an informal economy has become a focus of academic and policy discourse with the reality of people’s lives often forgotten’ (Hart, personal communication with the author, 10 May 2012).

Starting this Epilogue with a discussion of macroeconomic policy may seem rather bloodless to many readers, but I hope these chapters have not lacked humanity. Perhaps it lacks that sense of ‘the reality of people’s lives’ found in the best anthropological narrative? But what economists call ‘the numbers’, as cited here, speak to a wrenching process of adjustment, involving much personal hardship. ‘Rules of the game’ set in place by MWB wage determinations allowed no happier alternative, if PNG were to be placed on a sustainable path to economic growth and higher real incomes.

The Independent State assumed responsibility for managing its own exchange rate in 1975, but the circumstance that wages

had become subject to indexation against consumer prices (the ‘lock-in’) remained. This entailed an unfortunate consequence: the price effects of any currency devaluation (in PNG’s open economy, where a large proportion of wage-goods was imported) would flow through directly to the consumer price index. This in turn would result in increased nominal urban wages. The destructive events of 1974—reflecting what Garnaut had called ‘the political hysteria of the time’—were driven by inflation (Ch. 28). PNG Finance Department officials were determined that such circumstances should not be allowed to recur. It would be necessary for authorities to work around this situation, to find a feasible approach to macroeconomic management.

The main thrust of macro policy became to maintain the external value of the new national currency (the kina) and devaluation was necessarily eschewed as a policy option. Described by Garnaut as ‘a simple, low-maintenance economic policy’, it was ‘designed to achieve low inflation, a convertible currency and financial stability’ (Garnaut 2000, 32), with the objective of avoiding import-induced wage-price spirals and consequent loss of international competitiveness. This *hard kina strategy* (Garnaut et al. 1983) was largely successful in securing macroeconomic stability. It also achieved modest, positive levels of economic growth during its application (Garnaut 2000, 33). However, the essential problem, ‘excessively high urban minimum wages entrenched by wage indexation’, remained (Garnaut et al. 1983, 233). Macroeconomic stability was hostage to fiscal indiscipline and external shocks.

During one such episode, between 1980 and 1982, Garnaut, Baxter and Krueger recommended that a ‘major macro-economic adjustment’ would be necessary. In order to avoid the threat of ‘entrenched stagnation’, this would require, among other measures, ‘an increase in the price of tradable goods relative to labour of around 25 to 30 per cent for adult workers in Port Moresby’ (ibid., 234). Such a target, implying a corresponding kina

devaluation and real wage reductions, was ‘simply not possible to achieve ... under the wage indexation arrangements’. At this time a government submission to the 1983 MWB proposed gradual changes to indexation procedures, to achieve the desired result over an extended period. A more drastic alternative—a ‘sudden approach’—was also canvassed. Requiring shock treatment, the latter would be administered by a substantial ‘one-off’ devaluation. It would also require abandoning or suspending indexation. An overnight reduction of living standards would be imposed on urban formal wage earners, very likely arousing political resistance (*ibid.*, 234–236). Not surprisingly, the gradualist approach prevailed and underlying problems remained. It would take a crisis situation, occurring a decade later, for the stalemate to be broken.

The ‘game-changer’ emerged in 1994 to compel PNG authorities to float the kina, removing the policy settings responsible for the wage/price impasse. These events occurred almost two decades after Garnaut had suggested, with grim foresight, that economic distress might eventually ‘*expand the range of politically feasible policy options*’ (Ch. 28). Armed conflict in Bougainville in 1989 had led to closure of the copper mine and associated disruption of agricultural exports, jointly inflicting a loss of some 15 per cent of GDP and necessitating a 10 per cent kina devaluation (Bank of PNG 2007, 240). In response, an MWB determination in 1992 established a new and substantially lower urban minimum wage for new job entrants, a measure intended to lower average wages over time. The MWB also dispensed with automatic wage indexation, removing the damaging feedback mechanism behind import-induced wage-price spirals. Then in 1994 the kina was allowed to float, after fiscal indiscipline made assignment of the exchange rate to manage domestic inflation no longer feasible. As a result its exchange value declined dramatically to the end of the century, forcing up import prices and imposing substantial effective wage cuts on the urban workforce.

An account of these events (Chand and Yala 2009) gave a rather bleak summation of their impact on the formal economy, suggesting that earlier hesitation had been costly:

‘The labour market was deregulated after unemployment had risen considerably, together with associated social problems of urban squatter settlements and crime ... The abolition of the urban minimum wage in 1992 by the Minimum Wages Board was too late in that conditions for investment had deteriorated so badly that wage deregulation on its own was no longer sufficient to reinvigorate private investment. The wage distortion had contributed significantly to urban unemployment and social instability, raising costs of doing business in the country’ (ibid., 49).

This account will say no more about PNG’s macroeconomic travails. On the other hand, the change in economic environment appeared favourable to the emergence of indigenous micro-entrepreneurs, providing a fillip to informality—what Hart called ‘people’s activities in the places where they live’. Reduced purchasing power of urban workers and higher kina costs of imported wage-goods stimulated demand for domestic production, especially fresh foods in urban markets (Conroy 2000, 216–217). Intermediary processes, reaching increasingly beyond the hinterlands of the old colonial centres, began to create national markets for some commodities, notably root-crop staples and betel nut. For better or worse, the devaluation of the last years of the century offered the prospect that an informal economy serving the consumer needs of low-income urban people might at last become feasible. Meanwhile continuing erosion of subsistence affluence in many rural areas acted to increase its *social* feasibility. This is not to deny gradual progress towards developing domestic markets for agricultural produce in the earlier period after Independence (see, for example, Connell 1997, 71–74). However, the drastic changes

in price ratios after 1994 were of a different order and their effects correspondingly more dramatic.

While producer-sellers remained dominant in Goroka, specialised *kaukau* (sweet potato) traders emerged in Moresby towards the end of the century. Dealers in some other lines of produce were even more advanced. Benediktsson (2002, 218–219) observed that ‘commercial highlands potato³² “exporters” now disposed of much of their shipments by doing the rounds in the suburban markets of Port Moresby and selling bags directly to specialised market traders’. He reserved his highest praise for dealers in *buai* (betel nut) whom he called ‘highlander assembly traders’. These were responsible for ‘the most complex system of intermediary trading’ in Port Moresby and had also introduced intermediation into the Highlands *buai* trade. Benediktsson thought the new intermediaries—in *kaukau*, potatoes and *buai*—symptomatic of ‘a wider change towards “informalisation” in Port Moresby’s economic life’. Informality, ‘long in evidence in neighbouring Indonesian and other Southeast Asian cities, may finally be taking hold, in spite of a politico-economic climate in Papua New Guinea that has until now discouraged rather than assisted it’ (ibid., 218). This was despite the far from complete integration of a national market for *kaukau* due to (among other impediments) limited access of market participants to ‘information about supply, demand and price’ across the country (ibid., 219). But that was before PNG’s twenty-first century mobile phone ‘revolution’, to be discussed below.

Most recently, there is evidence of the continuing leadership role of PNG betel nut traders, both in terms of their elaboration of ‘long-distance and intermediary trading’ and also more general behavioural change in urban marketplaces (Sharp 2019).

³² The ‘potato’ found in European diets, sometimes known in PNG as the ‘Irish potato’.

In the 1960s, Scarlett Epstein had recorded apparent continuity of vending behaviour between Tolai women traders and their nineteenth-century predecessors. By contrast Bradley's description a decade later of Tolai women's *pipiai* and marketplace trade emphasised a new assertiveness and price flexibility among them (Ch. 19). Timothy Sharp suggests such behaviour is now a more general phenomenon. 'Overt competition and haggling, once conspicuous by their near absence, are now commonplace in the country's betel nut marketplaces, and increasingly visible in many of the large urban fresh food marketplaces'. Among other influences, this reflects the 'increasing numbers of people dependent on trade for their livelihood' (*ibid.*, 182).

Sharp refers to the betel nut trade as 'the most visible manifestation of a flourishing informal economy' in contemporary PNG. It is also, not surprisingly, a *hybrid* economy (in the sense that expression is used here; Ch. 5). This is because of the influence among market participants of a particular *moral economy*. Briefly, bulk traders of betel nut feel obligations towards their fellow traders which inhibit the full exercise of what Sharp calls 'overtly competitive market behaviour' among them. This should remind us of Benediktsson's remark (Ch. 1) that 'no social group has ever taken commoditisation to its logical extreme, fully excluding non-economic aspects from economic relations'. Much less restraint is seen in traders' dealings with the *producers* of betel nut, towards whom considerations of moral economy are plainly less applicable.

From a longer time-perspective, revisiting the capital's produce markets in 2009 after an absence of 30 years I was astounded at the increase in quantity, range and quality of fresh produce—an 'efflorescence' of production for market in which the increased relative costs of imported wage-goods had played a catalytic role. These circumstances encouraged me to hope that the Melanesian 'singularity', inhibiting participation in specialised trade and exchange, was becoming less significant among what Hart

called the ‘impediments to growth’ originating ‘in local material and social conditions’ (Ch. 5). In the warp and weft of the cloth of Port Moresby life, informality’s elusive thread was becoming increasingly visible.

A note from the perspective of 2020

Twenty-first century evidence suggests increasing convergence between modes of informality currently practised in PNG and the livelihoods described—in other places and in earlier historical settings—by observers including Mayhew and Bauer (Ch. 3). PNG has a national policy for the informal economy (Conroy 2010a; DCD 2009). Many of the weaknesses this was intended to address are still evident but overall the informal economy has become more resourceful and varied in content. I have long argued that conditions in PNG would eventually support the emergence of an informal economy comparable with that described by Keith Hart in Ghana (Conroy 1974b). But while this has occurred to some extent, changing circumstances have made it more difficult to sustain a narrative of the contemporary PNG labour market in terms of a simple formal/informal duality.

Since Independence (and particularly during the new century) a new group of waged employees has emerged. Working for private sector entities on conditions inferior to those embodied in employment regulations, they have been described as ‘unregulated employees’ (Jones and McGavin 2015). Found most often in retailing and construction, such jobs are often associated with recently arrived Asian entrepreneurs. Some of these employers are formally registered but evade labour regulation. Others are ‘submarines’, submerged so as to avoid scrutiny by taxation and labour authorities. While still numerically small the new category of unregulated employees has something of the character of a *precarariat*, a term usually applied to people with post-industrial livelihoods

(Standing 2011). Their situation is the result of population growth in a context of stagnant job creation in the formal (non-mining) economy and the State's incapacity to enforce workplace registration. In contemporary PNG such livelihoods occupy an intermediate and insecure position, between formal regulated employment and Hart's informality.

Insights into contemporary informality are found in the report of the *National Audit of the Informal Economy 2018* (DFCDR 2019). A few of its findings, and some vignettes drawn from the report and other sources, are presented below to indicate the growing variety and complexity of informality in modern PNG. The Audit report's research was largely confined to *urban* informality and to Hart's 'legitimate' economic activities. Its authors made the claim, difficult to assess, of an annual aggregate value for informal production of K12 billion, equivalent to some 20 per cent of GDP. At the individual level, it found many people regard informality as a more attractive option than wage employment—whether formal or unregulated—because of its potential for higher earnings. Others appreciate receiving daily income, preferring regular cashflow to periodic pay cheques. Mean net earnings per operator were calculated at about three times the regulated minimum wage, although the Audit report cautioned that this income is shared with 'helpers' in a majority of cases.

Informal producers, men and women, were found to have larger discretionary incomes than had been revealed in previous surveys and much of their spending was on other informal goods and services. This pattern of spending, recirculating income within the informal economy and reducing 'leakages' to the formal economy, may have rendered the informal subsystem more robust. Many households were able to maintain some level of savings, though normally in cash rather than bank deposits, while money lending characterised by high defaults and correspondingly high interest rates was a common sideline activity.

Many former formal employees (including some with professional and managerial experience) are now engaged in informal activities. Levels of education in the informal economy have been rising and appear to be, if anything, higher than in the general adult population. A substantial proportion of wage-workers is also ‘moonlighting’ in the informal economy. This latter finding is consistent with Hart’s account of Nima, in Ghana (Ch. 2) where formal employees valued the security of a predictable, even if inadequate, wage income, while taking advantage of informal opportunities as they arose. While earlier surveys in PNG had indicated that women in marketplace trade dominated the urban informal economy, increasing involvement of men is now apparent. This is especially so in more highly capitalised activities emerging in an increasingly diverse informal economy. Greater engagement by family groups rather than individuals is also noticeable (as seen in the reference to ‘unpaid helpers’, above).

Overall findings suggested that, as in informal economies everywhere, many participants resort where possible to multiple sources of income. Some of the more desperate expressions of this are found in and around markets. Pressing their services upon market patrons, young men are available to shift barrow-loads, ‘mind’ parked cars and carry shopping bags for very low returns. They patrol streets and the lines of cars at traffic lights, offering water, betel nut, phone cards, fruit, single cigarettes and trinkets. The latter are often sourced from the Asian stores mentioned above, which appear to be the source of many ‘fake’ goods in the street trade. Such ‘make-work’ tasks provide entry for some young people to the culture and practices of informal economy and, despite offering trivial returns, may introduce them to work disciplines. But young men frequenting the markets are also ready recruits to the mobs which periodically erupt in disorder, imposing economic loss and physical injury on informal workers and the public at large.

Young men may also be recruited to forms of economic criminality. These were excluded from the investigations of the National Audit, although they were catalogued by Hart in his original account of informality in urban Ghana (Ch. 2). At a different level of sophistication (and also excluded from the Audit) were activities conducted by those Hart described as ‘engaged in making (and benefiting from) “illegitimate transfers” involving thieves, larcenists, peculators and embezzlers, confidence tricksters and gamblers’. In twenty-first century PNG such activities have come to include a number of financial scams. These include ‘Ponzi’ schemes such as U-Vistract, which have imposed heavy losses on many of their members (Cox 2018).

Historically, marketplaces such as the *Bung* in Rabaul and Koki in Port Moresby have been the locus of urban informal activity. This remains so in smaller urban centres such as Kundiawa, capital of Simbu Province. Yet the National Audit found that marketplaces in the major urban centres of Port Moresby and Lae have yielded to streets, houses and backyards as the most important locations for informal activity. The Audit suggests that only about 10 per cent of those engaged in informal activities now operate in official marketplaces. Some suburban vendors believe they would be better off financially in the marketplaces, and safer, but shortage of space denies them access. Port Moresby has grown to the point where it now appears to support a more decentralised urban informal economy, with more people earning a living close to their homes and to where their customers live. Small house-front kiosks in some residential areas operate to serve neighbours in relative safety, even at night, despite broader law and order concerns. An interesting case of this ‘suburbanisation’ of informality occurs on Croton Street in Port Moresby, now a centre for footpath auto mechanics (Wenogo 2019). It is located symbiotically close to large formal motor repair workshops and parts suppliers. Such activities amount to the unambiguous monetisation of services previously exchanged

only within settlements and traditional villages, among relatives and neighbours.

Continuing a process recorded in Port Moresby since Hubert Murray's day (Ch. 12), informal settlements continue to expand, with growing professionalisation of informal house-building and extensions, and increasing provision of rental accommodation and sale of shelter and land. Michelle Rooney (2017) has reported on the efforts residents of such settlements make to assure secure occupancy of the land on which their housing stands. Their tenure may be challenged by customary landholders or by government. Other challengers may include private developers (including foreign investors) who have secured leases on government land—sometimes seen as responsible for alleged 'land grabs'.

Among the residents of settlements are some with professional qualifications and formal employment, financially able to construct (or improve) dwellings to a higher standard, and with knowledge, networks and resources superior to those of earlier-generation settlers. Other such 'big people' (as ordinary residents see them) currently hold formal jobs with housing entitlements but hope for access to settlement land upon retirement. Long-established residents, who now have intergenerational families in their settlements, and whose families combine informal livelihoods with formal waged employment, may see either threat or opportunity in these circumstances. *Big people* settlers could be viewed either as competing for scarce settlement land or as bringing with them capacity to mount defences, from which all residents may ultimately benefit, against the threat of dispossession. Resulting from 'a prohibitive combination of inadequate supply of formal housing, financial incapacity, and difficult legal and regulatory processes' (ibid., 113) a complicated political economy emerges from this situation. Its outcome, along with the rapidly changing mix of people from different demographics and ethnicities will determine how far the informal economy will be permitted to

continue performing its historical role of providing, and improving, the shelter of low-income people in urban PNG.

Considerable changes relevant to informal economy have been occurring in the field of mobile telephony. Mobile phones support informal *bisnis*, disseminating information by voice or text about demand and supply of commodities, prices and logistical arrangements. Such informational flows have demonstrated their value in informal trading of betel nut and sweet potato over long distances, and will find wider application in future. Phones themselves are the subject of informal *bisnis*, including their sale, rental and recharge. Other operatives repair handsets and install associated technology, as well as sell credits for phone time.

Prepaid subscriptions, allowing low-income people to buy services on a pay-as-you-go basis, have facilitated the rapid spread of phones. By 2019 there were some 2.8 million active SIM cards in a population of perhaps 8 million (Watson and Park 2019). However, demonstrating the fragility of informal livelihoods, the adoption of smartphones in Port Moresby is disrupting the ‘phone card’ model of informal *bisnis*. Growing numbers of users now ‘top up’ directly by linking with digital bank accounts. Informal sellers, too numerous due to easy entry to the trade, are becoming marginalised. Their trade is now more centred on provincial towns, as in Goroka where the carrier Digicel still ‘relies on vendors ... to distribute airtime credit into the hinterlands where people prefer to buy scratch cards in town for use (or resale) later in the village’ (Foster 2017).

Mobile phones also facilitate and extend financial services in a country with a large majority of ‘unbanked’ citizens. Mibank, a commercial bank, distributes ‘digital wallets’ allowing phone users to top up phone-time, pay bills, receive and transfer money or phone credits, and deposit or withdraw funds from the bank’s branches and agent network. A financial product which suggests the potential for synergies flowing from this connectivity is a

‘micro-leasing’ scheme for home solar (‘off-grid’) energy kits. The coverage of households in PNG by such kits is said to have increased from 2 per cent in 2012, to 60 per cent in 2017, a ‘surge in popularity’ due very largely to mobile phones. The combination of growing phone penetration and low levels of electrification has acted to stimulate purchases of ‘personal-scale’ solar sets, able to charge phones and run small household appliances (Ellsmoor 2019). Rural, decentralised, electrification will offer many opportunities for informal economic activity in the regions, and other changes will offer equally unexpected possibilities. One such instance is a ‘cross-border’ trade in phones, appliances and other commodities, occurring in remote parts of the country.

Informal cross-border trade can become significant where imposed colonial borders cut across traditional trade routes and through natural economic zones. Movement of commodities across borders is often subject to bureaucratic ‘frictions’ impeding formal trade so that informal trade flows—mostly limited to what people can carry—have value in strengthening regional food systems and exploiting resource complementarities.

Such potential exists on the island of New Guinea where informal trade is increasing between Indonesia (Papua province) and PNG (Sandaun Province). Most of this trade occurs in Papua at a marketplace known in PNG as *Batas* (Indonesian for ‘border’) and in Indonesia as *Pasar Skouw* (Skouw market). Located some 50 km west of Vanimo (see Figure 1, p. xxvi), Pasar Skouw is visited by hundreds of PNG citizens on its twice-weekly market days. Small parties of Indonesian border dwellers also cross into PNG, where their modest expenditures assist some local enterprises (Conroy 2020).

PNG visitors to Skouw buy consumer commodities, food, clothing (new and second-hand), home appliances, phones, TVs and other electronic goods, as well as services including printing and sign-writing, from Indonesian traders who speak some *Tok Pisin*

and accept PNG kina. The pull of this market extends further, to the Highlands and Lae. Some returning traders visit Maprik in the Sepik to sell Indonesian electronics to vanilla growers, while vanilla itself is transported to Pasar Skouw or smuggled into Papua through remote crossing points together with artisanal gold, cacao and massoi bark. The latter is an aromatic which has been sourced from the island of New Guinea by ‘Malay’ traders for at least 500 years (Ch. 4).

Local authorities have proposed initiatives, including a ‘trade centre’ at the border, to capture more economic benefit for Sandaun Province. The Asian Development Bank is supportive, but concerned that inadequate border infrastructure impedes mutually-beneficial trade. It has programmed assistance to improve the ‘investment environment’ in the province and to ‘remove infrastructure bottlenecks along the northern transport corridor’ connecting the Sandaun and Papua Provinces (ADB 2009). While the political relationship is always likely to be difficult, potential benefits for rural producers in the remote border regions, and for PNG consumers more generally, justify efforts to facilitate a mutually-advantageous cross-border trading system. PNG traders will learn much from the modes of informality found in an Indonesian *pasar*. There is also some evidence of trade between Western Province (southern border region) and Merauke in Papua, and this might also merit encouragement (Conroy 2020).

This brief account of contemporary change and development in the informal economy is not presented as comprehensive. Overall, however, the informal economy in PNG is still *too small*, not too large. It is too limited in scale, scope and contribution to national output, the productivity of its workers is too low and it continues to include an excessive proportion of what Hart called ‘illegitimate’ goods and services, including outright criminality. Some groups within it display signs of real impoverishment, although traditional social mechanisms continue to lessen

the impact of poverty on many families and individuals. Low-income people need to tap into surpluses generated by growth in PNG's formal mining, commercialised agriculture, financial services, construction and manufacturing sectors. Measures (discussed below) are needed to increase both the productivity of informal labour and the range of goods and services it provides. By such means the 'urban involution' Salisbury feared (Ch. 3) can be avoided. But otherwise, and in the face of continued population growth, the informal economy might function simply as a statistical category, a residual 'sponge' (to use Gerard Ward's expression; Ch. 27) by which growing numbers of landless and other poor are absorbed.

Achieving more equitable sharing of the benefits of resource booms and associated formal economy growth is a major policy challenge. If government could succeed in stimulating broad-based domestic productive activity outside the mineral enclaves this would multiply the benefits of resource extraction. Such a flow-on cannot be taken for granted in PNG because, historically, the formal non-mining economy has demonstrated a poor supply-side response to high commodity prices. Potential for growth has been constrained by factors including crime, expensive and unreliable utilities, deficiencies in transportation infrastructure and public services, regulatory barriers, skill shortages, and land tenure issues (Batten 2008). But what may not have been realised is that the supply response of the *informal* economy also needs to be improved, because it has proved inefficient in receiving and relaying whatever developmental impulses are transmitted by the formal economy. If microeconomic reform is necessary to reduce the costs of formal business and of investment, such reform is also necessary to increase the productivity of *informal* livelihoods. This could lead to their becoming a more dynamic component of the macroeconomy.

Growth of the informal economy may also be considered a necessary step towards the emergence of a class of vigorous

entrepreneurs in the indigenous small and medium enterprise (SME) sector, still pitifully underdeveloped in PNG. This view is found among some advocates for the national SME Policy (DCI 2016), who appear to see the informal economy as merely *instrumental* to SME development. But an international review of informality has taken a more nuanced view. While granting the possibility that some informal enterprises may ‘graduate’ as SMEs, the World Bank has mounted a vigorous defence of informality *per se*. Forms of employment with the highest ‘development payoffs’ are not found *only* in the formal economy. Governments should accept that ‘*informal is normal*’ and that ‘informal jobs can also be *transformational*’ (World Bank 2012, xiii and 38, emphases added). Graduation from informality to SME status will depend instead on the broader economic environment, to which a thriving informal economy contributes.

Coming from a surprising source, these judgements should encourage PNG to reassess the potential within its informal economy. Obstacles to reform often lie in notions of ‘modernisation’ dating from the late colonial period (Ch. 26). Such ideas—which encourage the denigration of informality—still linger among sections of the national bureaucracy, local-level administrations and among elements of the formal economy. On the other hand, supporters of informality may be unduly optimistic in their prescriptions, since there are limits to the effectiveness of ‘pro-informal’ action conducted by governments. The pessimistic lesson from experience in Port Moresby at Independence seemed to be that any progress was due to organic processes, and that notions of ‘formalising the informal’ were most often in vain. Where informality arose it stemmed from forms of popular pushback against the forces of bureaucracy, vested interest and prejudice (Ch 26). This is not to say that government intervention is always antithetic to a flourishing informal economy, but rather that governments need to understand the limits of their influence. Economic informality

is essentially a spontaneous phenomenon and authorities can do little to stimulate it unless the conditions for its growth exist. It is in this context that microeconomic reform has its place. Informal economic activity responds to market incentives and the best course of action is for authorities at all levels to provide a supportive policy and regulatory environment for it.

My proposals for such an environment (Conroy 2010a) were incorporated into the PNG national informal economy policy (DCD 2009). The policy was to be based on two ‘arms’, financial inclusion and the provision of public goods and services appropriate to the needs of an informal economy. Acceptance of informality as an integral element of the broader PNG macroeconomy suggests the need for central economic policy agencies to support its growth and diversification—while remembering the *caveat* that government faces limits to its influence. But only when the informal economy is incorporated into overall economic policy by agencies with the necessary clout will bureaucratic and attitudinal barriers to a flourishing and productive informality be overcome.

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JOHN CONROY has been an economist and development practitioner since 1968, with extended periods working in Papua New Guinea (PNG) and in Indonesia. He lived in PNG during its late colonial period—where he was influenced by Keith Hart, originator of the idea of economic informality—and in the early years of its Independence. Subsequently he had research and consulting experience in South, Southeast and East Asia, and in Pacific Island states. He has held university posts in Australia, PNG, Indonesia and the United States, most recently as a Visiting Research Fellow at the Crawford School of Public Policy, Australian National University (2010–18). He is currently a Visitor at the Development Policy Centre.

THIS STUDY deals with the *informal economy* observed in developing countries, a focus inspired by the anthropologist Keith Hart's recognition of informal economic activity in 1960s Ghana. There, as in other 'under-developed' territories and newly-independent states, economic *informality* was associated with colonialism and the subsequent ideology of 'economic development' that took hold among the Western victors of World War II.

Economic informality arose under colonial influence because of the imposition of bureaucratic rule and the forced introduction or intensification of market processes. The metaphor of popular *pushback* against such pressures is useful to understand how subject peoples accommodated themselves to colonialism, with results including both informal and hybrid economic behaviours.

With the idea of informal economy employed as a lens, *The Informal Economy in Development* explores these themes across historical experience in the former German, British and Australian colonies in New Guinea, now incorporated as the modern state of Papua New Guinea.