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,
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*.

Described by Chris Gregory as the exchange of inalienable things between non-aliens, *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.

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2 The allusions are to Adam Smith (*Wealth of Nations*, 1776) and Marcel Mauss (*The Gift*, 1925).
Hart’s construct of informal economy 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 ‘Papuans’. 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 Papuans. 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). 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 polities 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

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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 family. 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.
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, ‘Levantines’) 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

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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, porterage 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

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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 paper 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 ‘quickening’ development and extending 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

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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

J.C. 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 Swaddling (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,

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\(^7\) 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-aliens 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 aliens 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

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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 ‘satiable’). 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

‘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 pedlars (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
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 swaths 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 monolexemic 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.