

**PART C**

**INFORMALITY IN THE  
ERA OF ECONOMIC  
DEVELOPMENT**

## CHAPTER 14

# **Economic development: Ideology and apologetics**

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

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

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

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

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

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

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

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

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

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

## CHAPTER 15

# Obsolescence and the preconditions for urbanism

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

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

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

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

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



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

## Development and the paramountcy of native interests

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

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

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

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

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

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

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

## **The Gordian knot of labour market reform**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

## The organisation of industrial labour

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## CHAPTER 16

# Remaking Port Moresby: The formal town

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

## CHAPTER 17

# **An informal town: Villages and settlements**

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

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

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

## Hanuabada

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

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

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

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

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

## **Informal migrant settlements**

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Escaping old habits of thought

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

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

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

## CHAPTER 18

# Reconstruction in Rabaul and the seeds of post-war growth

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

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

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

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

## **Innovation and efforts at formalisation**

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



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

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

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

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

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

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

## **Rise and fall of the Tolai Cocoa Project**

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

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

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

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

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

## **Why the Project failed: rival explanations**

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

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

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

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

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

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

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

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

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

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

## **Stubborn informality in the rural economy**

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



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

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

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

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

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

## CHAPTER 19

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **The late colonial period, 1960–1975**

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

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



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

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

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

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

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

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

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

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

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

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

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

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

## The elusive merchant class

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

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

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

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

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

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

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

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



## CHAPTER 20

# Chinese enterprise in Rabaul: Apotheosis and decline

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CHAPTER 21

# Bureaucracy and market economy on the frontier

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Introducing a market economy

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

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

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

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

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

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



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

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

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

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

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

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

## Land for planters and roads for their coffee

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

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

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

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<sup>17</sup> *Kiap* (*Tok Pisin*): a government patrol officer.

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

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

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

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

## **Avoiding the embarrassment of one's superiors**

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

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

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

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

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

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

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

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



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

## The rhetoric of partnership

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

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

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

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

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

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

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

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

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

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

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

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

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

## CHAPTER 22

### **Gorokans and coffee in the ‘lucky place’**

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

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

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

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

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

## **Gorokan leadership as seen by Finney and his successors**

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



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

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

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

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

<sup>20</sup> The *Encyclopaedia* anthropological entries are more accessible in the volume edited by Ian Hogbin (1973).

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Advance of the Gorokan smallholders**

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

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

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

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

1958–59, worth almost \$41,000.<sup>21</sup> As young trees fruited output rose rapidly to 2,500 tons by 1967–68, worth more than a million dollars (Finney 1973, 68). Gorokans had planted almost 2 million trees by 1962, rising to some 3.5 million only three years later and to 4.5 million by 1967. This occurred in a period of active official discouragement of indigenous plantings (discussed below) during which government effectively lost control of smallholder coffee. In 1967–68, as a growing proportion of these trees came into bearing, Gorokans produced an estimated 2,500 tons of parchment coffee, amounting to more than 12 per cent of all PNG production. Indigenous smallholder output quickly challenged the formal, European plantation sector. At the national level, ‘by the late 1950s the acreage planted to coffee on smallholdings exceeded that on plantations, and within a few years output from these bushes surpassed the crop harvested from large holdings’ (MacWilliam 2013, 180–181; see also table 5.1). ‘From 1966–67, when smallholders were producing 10,600 tons, to 1975–76, when they produced 29,900 tons, the growth of smallholder production was about 12 per cent per annum’. Average plantings were 450 trees per smallholder in 1977 and more than 200,000 indigenous growers were responsible for over 70 per cent of the national crop (Stewart 1992, 28).

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

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



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

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

## **Advance of the Gorokan entrepreneurs**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CHAPTER 23

# Formality and informality in the coffee economy

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

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



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

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

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

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

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

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

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

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

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

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

## Regulation and pushback

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

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

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

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

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

'production of coffee by smallholders is extremely rudimentary involving the most elementary and inefficient machinery (such as pulpers and hoes), limited or undeveloped techniques and unskilled labour. They rarely weed and almost never mulch. Further, pruning is rarely done by smallholders. This causes lower yields, difficulties for pickers and a failure to rejuvenate the tree by providing bearing wood' (Stewart 1992, 55).

Poor husbandry was due to a number of factors. Aside from withdrawal of extension there was a period of sustained low prices from 1964 to 1974. This discouraged 'subsistence affluent' Gorokans from investing more than minimum labour inputs into maintenance, although aggregate plantings and output continued to expand as smallholders engaged in their own version of the 'scramble for land'. Further output growth caused the quantitative issue to arise again. Confrontation between bureaucracy and informal producers was renewed in 1966–67 when coffee exports threatened to breach limits set under the first ICA agreement. Gorokan pushback continued (described by Stewart as a 'silent

class struggle') while the HFSA renewed efforts to curb smallholder expansion under the guise of 'non-racial' regulations, which it proposed to restrict indigenous output. These were to be based on a formula derived from limits already imposed on the plantation sector.

The attempt failed due to a combination of factors. First, the administration still lacked capacity to restrain indigenous expansion, while regulation so prejudicial to smallholder interests ran against continuing official sentiments of 'trusteeship'. Further (as occurred also in the later case of the Faber Report; Ch. 25) other Australian agencies including the Departments of Treasury and Trade were prepared to overrule the Department of Territories over issues of economic policy. These included the anti-competitive nature of the proposed settlement, as well as concern to avoid compromising either broader Australian interests in international trade negotiations or the longer-term fiscal sustainability of an independent PNG. Ian Downs, still Chair of the HFSA, might thunder from Goroka that the Department of Agriculture 'should be directed to discourage forthwith the unrestrained planting which continues throughout the Territory' (cited in Stewart 1992, 102), but the times were not ripe for coercive measures. With the administration increasingly conscious of the approach of self-government, any action which might 'destabilise the main export crop in the Territory' could not be supported (*ibid.*, 101–103). Smallholders continued to expand plantings under an informal production regime typified by substandard husbandry, with suboptimal yields.

## **Pushback and coffee processing**

Quality of processed coffee beans was a perennial problem. It emerged with the decline of extension services and was exacerbated by low prices, but most importantly resulted from smallholder pushback against professional coffee buyers. Commercial

processors acted through a Coffee Marketing Board (CMB) to determine formal grading standards and price differentials. Prices actually received by smallholders were negotiated at the roadside or the factory door—supposedly on formal criteria, but more often reflecting power and information imbalances between smallholders and buyers. Beans were often sold at the roadside as unprocessed, perishable ‘cherry’ coffee. Processing from cherry to ‘parchment’, requiring modest investment in equipment and labour, was also done by many smallholders though with variable quality outcomes. Well-processed parchment could be stored, advantaging the holder—whether smallholder or processor—who then had discretion in deciding when to sell. That some small growers held parchment in expectation of higher returns suggests their capacity to defer immediate income in favour of future returns, implying smallholder progress towards more formal modes of operation. The final stage of processing, to exportable ‘green bean’, required capital investment and was normally done by commercial millers. To gain premium prices, smaller European planters and some larger, more formal Gorokan producers would pay to have this done.

In practice, as Stewart (1992, 73) concluded, ‘[roadside] buyers know little about quality, test for it in a casual fashion or not at all and assume all roadside coffee is Y grade coffee and pay accordingly’. The reference is to lower-priced bean, deemed suitable only for soluble (‘instant’) coffee. This was the dominant element in Australian consumption at the time, whereas plantation coffee was considered to be of higher (‘appearance’) quality. Under ICA quotas the latter could be sold more profitably in premium markets. But so could smallholder coffee that was suitable for processing to the necessary standard, suggesting that ‘native’ parchment acquired cheaply could be very profitable. Stewart explained the problem: ‘Smallholders are continually exhorted to improve the quality of their crop but if they are always to be paid at the Y grade level



then where is the incentive to do anything about quality?’ (ibid.). It is not difficult to see that the absence of price incentives could cause pushback behaviour among smallholders, either in terms of becoming indifferent to quality or by employing deceptive practices. The latter included adulteration with foreign matter or concealing poorly processed (‘wet’) parchment in coffee bags.

In the 1960s coffee buying was a regulated occupation conducted largely by Europeans, employed by processors or funded by them under ‘tied’ relationships. Towards the end of the decade illegal roadside buying by Gorokans appeared, a form of pushback reflecting determination to enter more profitable, downstream activities. Then in 1973, under the influence of the Faber Report, Gorokans were encouraged to apply for buyer licences. By 1974 new legislation had attempted to ‘localise’ roadside buying of cherry and parchment completely, and to free newly licensed buyers from restrictive ties. This proved unworkable; lacking working capital and without assured access to processors, indigenous buyers were caught in what Stewart called a ‘pinch point’ at the factory gate. Regulations were watered-down to legitimise processor financing again and some private European and corporate processors assisted Highlanders to purchase vehicles previously used by Europeans. The net effect of this pushback was to improve the position of a new category of indigenous buyers *vis-à-vis* informal smallholders, with the latter remaining subject to bargains as hard as they had suffered before. Coffee processors (still largely associated with foreign interests) retained the upper hand.

Two more, closely related, instances of the pushback phenomenon occurred during 1973. In the first we see evidence of reaction against activities of ‘formalising’ Highlands big-men/ planters by their wage labourers and local smallholders. In the second, pushback took the form of successful resistance to legislative measures secured by the political representatives of those planters. The latter instance occurred when, ‘some groups, particularly big

Highlands businessmen, wanted to ban the selling of cherry, because they felt that the price was too low and cherry coffee was too easily stolen and sold to passers-by' (Von Fleckenstein 1975, 116). Industry sources suggested 'hired pickers and others' were responsible for such thefts (Cartledge 1978). Beneath the surface it is fair to see coffee-stealing as grassroots pushback against rural inequality and the alienation of land by prominent individuals—just as one might see those same phenomena contributing to agrarian violence ('tribal fighting'). Legislation to deal with coffee-stealing restricted the sale and purchase of cherry in specified areas, including Goroka. The victory was short-lived, the regulation being amended because of political opposition from an unlikely coalition of smallholders and the CMB. Many smallholders, especially women, wished to retain freedom to make immediate small cash sales without the trouble of processing, while the Board expressed concern about 'the likely effect on the overall quality and price of smallholder coffee being exported and doubts ... about the return to the grower being any more favourable by producing only parchment' (Cartledge 1978, 161). It is interesting that both sides—'formalising' big-men and formal processors and marketers—affected to take the high ground by expressing concern for the interests of informal smallholders.

Processors (represented by CMB) may have been correct to assert that smallholders gained little benefit by processing to parchment stage. It was almost certainly true that commercial processing of cherry would improve quality and secure higher returns for the industry as a whole. But given the stranglehold on downstream purchasing and processing held by corporate interests, it is not clear that higher returns would have flowed back to smallholders.<sup>23</sup> The ban on cherry sales may be interpreted as protecting the interests of a class of formalising indigenous planters (who, incidentally,

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<sup>23</sup> Stewart (1992, 65ff) explained this in terms of 'pinch points' in the purchasing/processing/marketing chain.

owned most of the small pulping machines hired to smallholders, to process cherry coffee in villages). Pushback exerted against this by smallholders displayed stubborn informality, in support of their freedom to sell coffee in its least-processed (i.e., least *formal*) condition, although their action benefited commercial interests represented by CMB.

In summary, episodes of pushback—efforts to cope with bureaucratic pressure—entrenched informality in the mass of Gorokan peasant producers. Most significant was their refusal to bend to official suasion to curtail the expansion of plantings, a resistance assuring their quantitative (if not economic) dominance of the industry. In qualitative terms, smallholders reacted against pricing policies which did not reward them for careful processing. Their consequent indifference to quality and frequent resort to deceptive practices were evidence of stubborn informality, causing a low price/minimum effort mentality to become normalised among them. Other rural behaviours suggested dissatisfaction among particular groups—informal growers, informally hired coffee workers and younger people facing land shortage. Coffee-stealing, and even some instances of ‘tribal’ fighting, are also interpreted here as informal economy pushback against alienation of customary land by Gorokan entrepreneurs.

Donaldson and Good (1981) identified a group of ‘rural capitalists’ just before Independence who were capable of ‘class action’ (opposition to regulated wage increases, office-holding, agitation in regard to law and order issues). The aborted ban on direct sale of cherry was an attempt by these entrepreneurs to protect their own interests, while political reaction against it represented the defence of informality in production by small growers. Illegal coffee-buying was evidence of Gorokans pushing to move ‘downstream’ from production to marketing and, to the extent this contributed to further decline in processing standards, the result may have been to entrench smallholder informality

further. Episodes discussed here give insight into what Downs (1980, 186) later called ‘the commercial greed of both races’, particularly evident in ‘the purchasing and marketing of coffee’. Alternatively we might see them simply as characterising the direction of change in Goroka at the end of the colonial era.

## CHAPTER 24

# The triumph of capitalism?

IF A LOW PRICE/MINIMUM EFFORT malaise marked much smallholder production, a related weakness plagued Gorokan planters striving towards formalised operations. Their problem was a low wage/low productivity trap. The rise of Finney's *bikfela man* produced economic differentiation between Gorokans in coffee, as well as the entry of others into downstream and service activities. Some aspiring rural capitalists, who might be called 'coffee entrepreneurs', appear to have focused on growing coffee at a scale closer to that of European plantations (Ch. 23). They were distinct from the mass of Gorokans ('smallholders') growing some coffee as part of a portfolio of activities grounded in subsistence agriculture. There was also another group of more ambitious 'formalising' Gorokans. They extended their reach to commercial activities, such as 'private ownership of trade stores, trucking businesses, influential positions in co-operative societies or savings and loan societies' (Stewart 1992, 75). This narrative considers first the Gorokans—entrepreneurs and smallholders—who were active in coffee.

## **Gorokans in coffee: entrepreneurs and smallholders**

Finney (1969, 37ff) characterised the coffee entrepreneurs as unable to access bank or trade credit and starved of working capital. Cash-flow problems reduced their capacity to pay wages during the coffee 'flush' and since most could not afford commercial processing they also failed to secure quality premiums on their 'green bean'. Less effective than expatriates in managing labour, they employed workers informally rather than under regulated contract. With such labour as they could afford, they were more likely than Europeans to be locked into low wage/low productivity employment relations. All planters experienced some worker antagonism but small and medium Gorokan planters suffered because of difficulty in managing the complexities of 'piece rate' employment. Involving payment by results, this was common on larger, formal plantations intent on securing the highest productivity from casual workers. Piece-work involved high costs, 'due to the temptation of some workers to forge or steal weight receipts, to lose their copies ... or to resort to destructive or careless practices to get the berry off the tree' (Stewart 1992, 49).

As with coffee-stealing, such behaviours were often forms of worker pushback, against industrial grievances which a well-managed and -capitalised plantation might handle, but which most Gorokan employers could not. After Independence, with the 'localisation' of plantations essentially complete, an experienced analyst observed that 'the current breakdown of the plantation system in PNG can be related to the lack of acceptance of the status hierarchy necessary to support the system' (McKillop 1981b, 28). In consequence of this, and of an inability to realise economies of scale, small and medium Gorokan plantations were unable to rise above their intermediate position between informal smallholders and formal plantations. Also, by reason of greater capital investment and overheads, they were more vulnerable than smallholders to

coffee price fluctuations. Smallholders displayed a more elastic supply response to changing prices, becoming at times of low prices both less willing to pick coffee and less careful in processing it. Many preferred to apply their energies to other activities.

Two attempts occurred in the 1960s to create larger entities capable of remedying disadvantages suffered by smallholders at the hands of coffee buyers and processors. Both were settler initiatives, aiming to combine Gorokan capital in joint ventures with European capital and management, and to capture for smallholders more of the value added in processing. One of these, the Highlands Commodity Exchange (HCE), was an incorporated entity and the other an unincorporated partnership. Both were buoyed by initial enthusiasm and Gorokan cash, as smallholder groups saw an opportunity to 'own' processing mills comparable with those of Europeans. In the event, despite reasonable dividends in early years, HCE's new mill proved insufficiently grand to meet indigenous shareholder expectations. Their loyalty wavered and in a rather piquant situation of pushback HCE found itself having to compete with rival buyers for its *own* shareholders' coffee, and to deal with adulteration of bagged coffee purchased from them. Similarly, discontent emerged in the second venture because members' money was employed as working capital—a concept difficult for smallholders to comprehend—and had 'not gone into any visible capital asset to which they can point with pride' (Finney 1969, 77–78). Both cases seemed to illustrate a characteristically Gorokan hybrid mix of motives in which rates of return on capital appeared secondary. Even 'a good return without some visible sign of an important and successful enterprise, may not be enough to satisfy investors' (ibid., 78).

In summary the evidence suggests informal smallholders did not internalise the market rationality required by the 'development' orthodoxy. They experienced a malaise, cushioned by subsistence, limiting earnings from coffee. Two attempts to create group entities

to remedy smallholder disadvantage were undermined by a hybrid preference for prestige. These experiences suggest how frequently ‘discrepancies’ emerged between prescribed economic behaviour and the somewhat untidy reality of Goroka. Secondly, ‘formalising’ small and medium planters (‘coffee entrepreneurs’) had difficulty escaping limitations imposed by the low wage/low productivity trap. They were unable to overcome managerial shortcomings (e.g., the informality and inefficiency of their labour-hire practices). These were uncongenial aspects of the colonial economic orthodoxy, although most Gorokans were enthusiastic about its principal plank—‘development’. They saw this in the parochial and concrete forms of village infrastructure and increasing coffee acreages (however erratically they exploited their *own* acres). Their understanding was encapsulated in the pidgin phrase *kirapim ples* (‘local development’). Successful Gorokan businessmen also absorbed the rhetoric of development. Promising to deliver its local manifestations to electors became a necessary prerequisite for political office.

## Beyond coffee

Perhaps one should look elsewhere for a convincing demonstration of acculturation to market norms and the abandonment of hybrid attitudes. More ambitious Gorokan entrepreneurs seeking to diversify beyond coffee, dubbed ‘rural capitalists’ by Gerritsen (1979), earned much of their income outside agriculture by engaging in economic activities in both town and countryside. It may be possible to judge how far this group, seemingly more progressive, was able to advance towards formal and ‘businesslike’ commercial dealings, untinged by hybridity. Even before the ‘business groups’ legislation of 1974 they had entered into more formal, contractual relationships with European interests and adopted corporate structures, usually with European and/or extension assistance.



During the early 1970s these formal measures assisted in opening doors for Gorokan ownership of ‘shops, taverns, real estate, coffee buying, commercial vegetable growing, livestock raising, taxis, passenger motor vehicles, and trucks’ (Donaldson and Good 1981, 166). Such arrangements, together with the acquisition of urban properties suitable for leasing, encouraged some Gorokans to become *rentiers*, living off capital to a greater or less extent and displaying limited entrepreneurial creativity.

Commencing in the late colonial period this phase of Gorokan *bisnis* accelerated quickly with political change. As Independence approached ‘the growing political and economic ascendancy of indigenous capital’ gave a new meaning to Hasluck’s *paramountcy of native interests*. Replacing old connotations—*preserving village life*—the slogan became instead ‘synonymous with indigenisation and local ownership of commercial properties’ (MacWilliam 2013, 238). MacWilliam remarked the electoral success of an ‘indigenous bourgeoisie’, and their capacity to mobilise capital from supporter groups and to ‘facilitate access to state resources’. As on the Gazelle (Ch. 19) rent-seeking behaviour—the pursuit of commercial advantage from an insider position—enabled members of this group to profit from opportunities arising in the political climate of the 1970s. Other commentators, from Finney, to Donaldson and to Fitzpatrick, emphasised the essentially political dynamic supporting this process, in which the entrepreneurship involved was political rather than Schumpeterian. The narrative will return to Schumpeter in Chapter 25 to consider his understanding of entrepreneurship and its relevance to colonial PNG.

## Intergenerational transmission of wealth

In Melanesia wealth, however acquired, cannot easily be retained. Retention requires both strength of character to withstand Maussian pressures and a Smithian capacity to manage capital. This tension

was evident in Finney's entrepreneurial biographies, and from his later account of a return visit (Finney 1973, 1987). While attempting to contend with Europeans in the domain of Smithian trade the big-man strove also to avoid dissipating capital under pressure of the Maussian expectations of his followers. His success in *bisnis* required their support, but the too-lavish reciprocal disbursement of benefits would prevent his accumulating enough for reinvestment and further growth. Success in this delicate task required political skills to achieve the correct psychic balance between communal prestige-enhancement and material distribution. In the ultimate it might require the personal will to disassociate oneself from the support group, pursuing an individualistic path in the Smithian manner as one of those individuals Charles Rowley (1965, 101) called 'isolates in charge of their own destiny'. Some Gorokans, in common with other Highlanders and especially the entrepreneur politicians, found it advantageous to take up residence in Port Moresby to narrow their circles of obligation. Later still, some would seek insulation by investing in the northern Australian city of Cairns. But short of achieving some degree of social distance, the *bikfela man* continued to inhabit a hybrid and insecure reality in which traditional *mores* coexisted uneasily with capitalist accumulation. Further, even to the extent such men succeeded in conforming with the culture and norms of 'capitalist' commercial activity, their *bisnis* operations would likely continue to be characterised by varying degrees of informality. This is not to deny genuine entrepreneurial achievement among some businessmen at Independence (as also among Tolai on the Gazelle). Rather it is to consider cultural obstacles impeding more widespread success, and to suggest such 'capitalism' proved compromised—at least in the colonial period—by the hybridity and informality common to most indigenous market economic activities.

In Melanesia the death of a big-man often precipitates pressures for the dispersal and redistribution of his wealth (hence the 'hiding

of assets' observed on the Gazelle; Ch. 18). In such circumstances 'capitalists'—whether creative and entrepreneurial, passive *rentiers*, or politically connected rent-seekers—face the common problem of establishing mechanisms for the intergenerational transmission of wealth (Ch. 22). Some Marxian scholars, represented most clearly in the Gorokan literature by Donaldson and Good, assumed the problem away by asserting traditional Highlands status was determined primarily by ascription, by attributing success in the market economy to inherited status, and suggesting that accumulation in one generation would benefit children in the next. By such means the platform for further accumulation was assured. Similarly, Fitzpatrick (1980, 15) saw capitalist accumulation as 'building on hierarchies and inequalities within resident social formations'. On the other hand, Finney viewed prestige in Gorokan society as determined by personal achievement. While he may have viewed Gorokans as being 'pre-adapted' to accumulation in each generation, he anticipated problems of succession—an issue to which he gave attention during a return visit (Finney 1987). This is not to say all successful entrepreneurs would lack wit or opportunity to advantage their offspring, although it was not clear in 1975 how far social advantage, in the sense of capitalist accumulation, had, or would, become embedded among families of entrepreneurial Gorokans. Tracking the fortunes of succeeding generations would require longitudinal studies combining genealogy and business history, and of sufficient scale to provide a solid factual base for generalisation.

While wealth might not have been reliably heritable, a significant qualification applies. Even before Independence, successful individuals in and around Goroka and (especially) Rabaul had invested in *human* capital through formal education of their children. Paula Brown (1979) observed a similar pattern in the Chimbu district. In early days this involved getting children into English-medium primary schools, while later cohorts attended

multi-racial 'A' and secondary institutions, with some continuing to one or other of the universities. Much later, international education options appealed. Unlike physical or financial capital, educational capital is embodied in the young and not susceptible to dispersal on the parents' death. If the importance of achievement-orientation and social mobility are accepted it is easier to envisage education as the channel for transmitting status—although if education is not augmented by transfers of conventional capital the next generation may look elsewhere than *bisnis* for success. Young people equipped with human capital but lacking other resources might see bureaucracy, or the law, as more promising fields.

Fitzpatrick seems to have regarded these as reliable pathways: the sons of entrepreneurs 'monopolised educational opportunities ... and, hence, monopolised advancement *in the state system*' (Fitzpatrick 1980, 15, emphasis added). This is relevant because, in a departure from colonial orthodoxy, the 'state system' became an entry point for business from the late 1960s. Earlier administration officials (Greathead, Taylor and Downs among them) had been obliged by regulation to avoid compromising their positions by engaging in private enterprise (Ch. 21). While not prevented from making discreet preparations, officials found it ultimately necessary to resign in order to take up commercial opportunities. This changed when, 'as indigenisation of colonial administration employment occurred, legal and other barriers to straddling between state positions and private commercial activities were lowered' (MacWilliam 2013, 232).

Principal beneficiaries of the new environment of the 1970s may have been the political class, but an incoming generation of senior indigenous public servants, advantaged by position and access to information, also found themselves presented with abundant commercial opportunity. This they could enjoy without having to resign. With bank credit readily available, urban real estate opportunities numerous and the divestment of expatriate interests

occurring, some officials benefited handsomely (albeit legitimately in terms of the new dispensation). The extent to which such activities represented creative entrepreneurialism, as opposed to rent-seeking or passive *rentierism*, is a matter for judgement. There was still little evidence of the corrupt alliances between lawyers, bureaucrats and politicians which later became the staple of political commentary. At that time formal education, translated into bureaucratic office, seemed more likely to guarantee the intergenerational transmission of privilege than individual success in business. The process would likely be less mechanistic than posited by Marxians relying on supposed traditional ‘social formations’ for the maintenance of ‘hierarchies and inequalities’. And these processes would increasingly be played out on the national stage, rather than in such provincial theatres as Goroka. Part D of this study is set on that national stage, with particular reference to the capital, Port Moresby.

