

PART D

**BIRTH PANGS: ALL THESE
ARE THE BEGINNING OF
SORROWS**

CHAPTER 25

The preparatory idea

VISITING PNG IN 1963 Bernard Schaffer warned, ‘how ... dangerous it is to suppose that development must actually be the more or less satisfactory working out of transferred Western models’. One version of this seductive myth was ‘the preparatory idea’, a notion of ‘laying the foundations ... for a Western model’ of administration (Schaffer 1963, 45). Experience elsewhere provided little evidence of any such preparation until late in the colonial day, while talk of it was usually ‘a ploy’ for delay. ‘The colonial polity was essentially bureaucratic’ and ‘colonial government was dominated by the secretariat [whose] aim was efficiency’. This led to ‘the growth of technical departments, not to the growth of the roots of independence’ (ibid., 52). After PNG’s Independence, another observer noted ‘the fact that the transition did proceed with minimum disruption owed little to Australian forward planning, but a good deal to the durability and penetration of its administrative structures and techniques’ (Mortimer 1979, 205). These observations should be recalled when considering ‘preparatory’ measures implemented in PNG. The process of disengagement, in which an alien bureaucracy was expected to prepare the way for its own replacement, was rife with internal contradictions.

In 1964 an appointed legislature with three indigenous members was replaced by a House of Assembly—a unicameral parliament, elected by universal adult suffrage. It had an indigenous majority, albeit one lacking either parliamentary experience or political coherence. This allowed it to be dominated by nominated ‘official’ (administration) members. Multiracial political parties began to coalesce outside parliament, notably the nationalist Pangu Pati which achieved representation at the second, 1968 election. Official members continued to hold sway in this second House with the acquiescence of nominally-independent indigenous ‘Ministerial members’. None of the members were from Pangu, which had stood aloof from the nomination process. Then after the 1972 national election Pangu, under the leadership of Michael Somare, formed a majority coalition on the eve of self-government.

During the second House economic policy had remained in the hands of colonial officials, who continued to pursue accelerated development on Canberra’s instructions. On orthodox macroeconomic criteria this produced impressive results, expressed in terms of the Fiskian taxonomy of subsistence, transitional and monetary sectors. Between 1966 and 1970, output in the combined monetary and subsistence sectors increased at an annual average rate of 9.3 per cent while the monetary sector alone increased at a galloping 15.6 per cent (Shand 1971, 54). In 1966 subsistence activity still contributed about half of domestic output, with some 44 per cent (nearly a million people) wholly engaged in subsistence. Another 37 per cent continued actively in subsistence while also operating in the Fiskian ‘transitional’ sector, with some cash income. Rapid rates of measured growth suggested the probability of further significant reduction in numbers wholly dependent on subsistence by 1970, as well as an increased share of population in ‘transition’ (ibid., 56). The driving force was ‘the large and escalating scale of the Australian grant and the direct expenditure of Commonwealth departments and instrumentalities’. From 1969 this was reinforced

by private sector construction on the Bougainville copper project (*ibid.*, 58). The macroeconomy was experiencing rapid growth and, on the surface, beneficial structural change.

The last important expression of accelerated development was a *Development Programme* (TPNG 1968) aimed at reducing fiscal reliance on Australia, for which it was thought growth should be maximised. Produced by the administration's Office of Programming and Coordination (OPC), it was described by John Langmore as 'the first document resembling an economic plan published by the Administration'. He dismissed it as no more than 'indicative' planning—simply 'a framework for public sector expenditure'—with a wish list of private sector initiatives and internal inconsistencies. Most damning, it paid lip-service to indigenous participation while continuing policies exacerbating expatriate domination (Langmore 1972, 12–13).

Shand judged accelerated development as having 'brought substantial monetary benefits to the local population in absolute terms (if unevenly) but it has primarily benefited expatriates' (Shand 1971, 70). Total monetary sector income rose from \$80 million to \$300 million between 1960–61 and 1969–70, while the expatriate income-share increased, from 62.5 per cent to 68.0 per cent. This showed that 'Papuan and New Guineans have lost ground in terms of their relative economic influence ... despite a growth in the absolute level of their involvement in the monetary sector' (*ibid.*, 73). Inequality had another dimension, for such gains as were made by local people were unevenly distributed across the country. This was the logical outcome of selective regional allocation of investment resources under accelerated development.

Racial income inequality may be illustrated in terms of numbers of workers and their relative earnings. In 1967–68 the indigenous were 90 per cent of the monetary workforce, and the wage ratio 1:11, so that the 10 per cent of expatriates earned a staggering 54 per cent of total wages paid (*ibid.*, 81). Further, over the 1960s

a shift in aggregate income occurred, away from wages and primary production in favour of non-wage incomes, especially company profits. Inter-racial inequality increased because ‘the manufacturing, building and construction, transport, storage and communication, commerce, finance and property industries ... are largely or wholly in expatriate hands’. Serious efforts at promoting indigenous interests were confined largely to the public sector and rural industries (*ibid.*, 84–85). Ross Garnaut summed up the situation confronted by the Somare government in 1972:

‘Foreigners owned nearly all modern sector enterprises and supplied most skilled labour and management. Three-quarters of domestic expenditure was on imported goods. Australian aid exceeded twice the value of revenue collected by the government and provided the main impetus to growth. Money incomes differed vastly between regions ... and between the two percent of foreigners who had most of the money income and the rest of the population’ (Garnaut 1980, 447).

Ric Shand, though a conservative economist and trusted colonial adviser, felt bound to point to ‘the emergence and growth of economically-based social and economic tensions’. But he also stressed the continuing adequacy of traditional subsistence as ‘a basic structural factor which has had a positive stabilizing influence on the national economy’ (Shand 1971, 56–57). This view was informed by his belief in the operation of a ‘floor’ to urban livelihoods, provided by an affluent subsistence sector. This explained Port Moresby’s capacity to maintain the essentially *formal* character of its labour market despite increasing freedom of entry for rural-urban migrants. As to remedies, Shand warned of the magnitude of the task: ‘many areas of economic endeavour are totally unfamiliar to the local population.’ This incapacity impeded their participation in both formal and informal economies. He pointed also to a timing problem: ‘the pace set for development is

currently too fast to allow for a natural process of familiarisation and growth of participation' (ibid., 86).

On the eve of self-government Garnaut wrote that 'a growing domestic market, growth in domestic labour skills and greater knowledge of the country's natural resources have greatly increased the number of industries that could be included in an efficient Papua New Guinean economy'. It seemed reasonable to expect more diversity to develop on these foundations (Garnaut 1973, 162). Diversification was certainly needed. As Anthony Clunies Ross observed, 'viewed as a national economy', PNG was 'one of the least internally integrated' (Clunies Ross 1971, 473). Almost a decade later Garnaut recalled, ruefully, that PNG had possessed 'none of the characteristics of a national economy when the first Somare government was formed in April 1972'.

Nor did the self-governing State get off to a flying start; it took five years for 'an effective PNG framework for economic policy-making' to emerge (Garnaut 1981, 157). Langmore, then a public servant, recalled progress being constrained by limited planning and budgeting capacity in an administration only recently freed from Canberra's micro-management, and by continued adherence to accelerated development (Langmore 1972). Among the problems was a culture of economic management derived from Australia's own 'heavily modified' model of economic liberalism, while the departing Australian bureaucracy was still attempting to fashion PNG in its own image. The first coalition government of 1972 inherited an apparatus whose 'bureaucratic and assimilationist style was well established' (Ballard 1981a, 11). In this situation an initiative, an eleventh hour attempt to reframe the 'preparatory' process, originated from an unexpected quarter within the Australian bureaucracy. It was decided to commission fresh advice, from an international group which came to be known as the 'Faber Mission', concerning policy directions for an independent PNG.

The Faber Mission: ideology and policy

This study employs the dynamic of informality and the metaphor of pushback to describe the economic behaviour of individuals reacting against bureaucratic orthodoxies. PNG's short period of self-government between 1972 and 1975 was characterised by a similar reactive dynamic, albeit one operating at a more explicitly political level. It took the form of pushback by an incipient political class against the 'bureaucratic and assimilationist' preparations of an expiring colonial administration. Accelerated development had intensified social and economic tensions. To employ Polanyi's metaphor, inequalities arising during the 'preparatory' phase caused livelihoods and social relationships to become increasingly *disembedded* from traditional social foundations (Polanyi 1944).

Events seemed to mirror upheavals elsewhere, typified by 'multiple forms of dispossession', ranging 'from the material, to the socio-cultural and the moral' (Hann and Hart 2011, 136). In PNG there emerged a proliferation of 'spontaneous local movements, differing in their origins and specific objectives but sharing a broad concern with the achievement of economic, social and political development through communal action' (May 2009, 48). Levels of consciousness and causes of discontent differed, with urban sophisticates more concerned about racial inequality and access to decision-making, while rural people were exercised by regional disparities and limited access to government services. Such tensions, communicated to parliamentarians, inspired political pushback against the late-colonial orthodoxy embodied in 'accelerated development'. This may be seen as an instance of Polanyi's 'double movement', the impulse to *re-embed* morality, culture and livelihoods in a traditional, notionally egalitarian society.

Such was the spirit of the times, and the political changes it inspired were dramatic. Speaking of the second parliament (1968–72) Garnaut recalled that, aside from predictable demands for 'increased incomes and for government services',

parliamentarians were particularly concerned about inter-racial income inequality. Demands for greater indigenous participation in decision-making became clamorous and urban unemployment was debated frequently, with calls for the repatriation of rural-urban migrants (Garnaut 1973, 165). Members' concerns were not woven into any coherent narrative; a catalyst was needed to give point and direction to collective discontents. Informed by Polanyi's metaphor (above), this account considers the catalytic opportunity presented during the third parliament by the *Faber Report* (ODG 1973).

While perhaps unable to articulate a critique, many parliamentarians associated manifestations of inequality and social change with accelerated development. Amid such uncertainty an alternative, even antithetic, philosophy proved unexpectedly appealing. This is not to suggest that enthusiasm excited by the Faber Report was either universal or sustained, but that a particular serendipity marked its timing and reception. Keith Hart recalled meeting the Somare Cabinet in August 1972, after it had received the Report. 'The prime minister [sic] said, "Gentlemen, before you came, we only knew of one model for development. Now we know there are at least two"' (Hart 2002). The account is credible, reported in similar terms by an observer close to the Chief Minister's Office (Fitzpatrick 1985, 22). Hart's narrative, ever so slightly vainglorious and certainly played for laughs, is helpful in explaining the Report's commissioning, reception and impact. As he recalled 30 years later:

'I was recruited to a team, commissioned by the World Bank acting as executive agency for UNDP ... to draw up a development programme for Papua New Guinea on the eve of independence. It was headed by Mike Faber, a general economist [with Hart and two other economists] ... We spent three months in Australia and PNG during mid-1972, wrote a preliminary report and returned in 1973 for discussions with the

newly elected Pangu party government of Michael Somare.²⁴ The second time around we were reduced to two since the agriculture and mining experts had dropped out, possibly fearing that their consultancy careers would be wrecked by what one of them described as the lunacy advocated by Faber and Hart' (Hart 2002).

As to the context of the Mission:

'We arrived in Australia just when a quarter century of Liberal/Country party rule was expected to give way to Gough Whitlam's Labour [sic] party. The Ministry of External Territories ... had been a Country party fiefdom. But, with the help of the Commonwealth Treasury, we found that PNG was a redistributive device for siphoning A\$500 millions a year from taxpayers to three Australian interest groups: trading oligopolies ... civil servants ... and farmers ...' (ibid.).

The team's proposals for change encountered opposition:

'What we proposed in the way of grassroots development linked to an emphasis on the income of nationals was seen by a World Bank official as a "racist" deviation from orthodoxy. Our proposal to renegotiate the terms of the Bougainville copper mine ... upset everyone: the colonial administrators who had arranged a notorious give-away, the operators ... [and] the World Bank who believed a contract was a contract, the Department of External Territories and so on' (ibid.).

By the time Faber and Hart returned in August 1972 their draft report had been circulated and leaked to the press. Officials of the World Bank and OPC (the domestic agency responsible for the 1968 *Development Programme*) now seemed anxious to cooperate (ibid.).

²⁴ Hart's recollection appears mistaken here. The return visit occurred in August 1972 when Somare was 'newly elected'. Other internal evidence in Hart's account supports this. See also Downs (1980, 538).

Perhaps this was because a White Paper, effectively the last gasp of accelerated development, had been rebuffed in parliament. Seen as ‘an effort to outflank Faberism’, it had been trumped by another, ‘Faberite’ White Paper, tabled soon after (Fitzpatrick 1985, 24). Tony Voutas recalled that a small working group, ‘mainly non-public servants’, was deputed by Somare to draw on the Report to work up a draft set of policy aims. ‘Quite deliberately’, because of distrust of the expatriate old guard, ‘there was almost no consultation on these aims with senior [European] public servants’ so that, ‘by imposing policy guidelines on the public service, the Somare Ministry was democratizing government’ (Voutas 1981, 36).

Schaffer’s ‘essentially bureaucratic’ colonial polity was turned on its head. By year’s end OPC and its Director were gone, a platform of ‘Eight Aims’ based on the Faber Report had been announced and a new Central Planning Office was gearing up to implement it. Soon afterwards the House ‘took note’ of the Report and endorsed the Eight Aims as ‘the basis for economic planning in the coming years’ (Hegarty 1998, 186). The Report and the Eight Aims, together with a Preamble to the Constitution, were crucial to the official recognition of economic informality in PNG. The Report adopted the informal ‘sector’ construct as its primary vehicle for increasing indigenous economic participation, and the Eight Aims were suffused with it.

Except for considering the Aims in relation to informality, this study will neither examine them, nor score government’s performance in realising them. As a philosophical framework they were seen at the time as a charter for ‘self-sufficiency, reduction of social and economic inequalities and economic control in the hands of nationalists’ (ibid., 165). Far from frightening the horses, the Aims were seen by Garnaut as ‘expressed in gradualist and reformist terms and clearly not ‘foreshadow[ing] a sudden, radical restructuring of society’ (Garnaut 1980, 448). His subsequent rebuttal of radical critiques of Faber and the Aims, and his account

of government performance through the 1970s (Garnaut 1980, 1981) are authoritative. That ground will not be retraced here, except insofar as it is relevant to policy and practice affecting the informal economy.

In Hart's list of the Faber Report's antagonists there was no mention of the Australian Treasury, whose officers had been so helpful in Canberra briefings. As Hart later discovered, Treasury was the unexpected source of the initiative to commission the Report. Hart found the experience instructive:

'[T]he principals in the mainstream institutions were ready to defend the status quo, others anticipated taking their place as a result of the Australian election and were prepared to support us. This was particularly true of officials from the Commonwealth Treasury who, it transpired, were the source of our appointment in the first place ... Sometimes an opportunity arises to make a difference, however small' (Hart 2002).

Bougainville Copper was earning profits of an unforeseen magnitude. Fitzpatrick (1982, 215) concluded that 'the Australian government was willing to see more of this surplus going to the PNG state as this would help ease the former's heavy aid commitment'. Perhaps some Australian officials doubted the future political stability of an independent State continuing on the trajectory of accelerated development, courtesy of a minerals boom whose benefits were distributed inequitably. When the Report was first circulated David Hegarty (1998, 165) had no doubt it 'captured the imagination of many Cabinet and private members'. Before long, however, ambivalence emerged, reflecting disparate elements within the governing coalition. It became apparent that the Eight Aims were contrary to the 'entrepreneurial ambitions' of some ministers, although their 'pseudo-socialistic overtones' remained 'acceptable at the level of public rhetoric' (Voutas 1981, 46). The then Cabinet Secretary concluded later that 'the evolution of the

... Eight Aims ... was probably the closest the Ministry came to expressing a general ideological stance'. Otherwise the open contest of ideas was muted by 'the unstated knowledge', that Cabinet consensus was 'too fragile to withstand deep ideological debate' (Lynch 1981, 31).

This fragility, and the divergence of opinion at its core, would have implications for many objectives derived from the Aims, not least the goal of stimulating an indigenous informal economy. In practice, the policy focus was directed elsewhere: 'in response to an extraordinary concentration of income and wealth in the hands of a small expatriate community, *redistribution of high-income employment and business ownership from expatriates to Papua New Guineans* was the one distributional focus of the Eight Point Plan to be pursued vigorously and effectively' (Garnaut 2000, 32, emphasis added).

The 'entrepreneurial ambitions' to which Voutas referred were not limited to members of Somare's Cabinet. Earlier discussion of *bisnis* in late-colonial Rabaul referred to a class of business leaders described by Fitzpatrick as 'big peasants' and by MacWilliam as 'accumulators' (Ch. 19). Similarly, in Goroka there were identifiable groups dubbed 'rural capitalists' by Gerritsen, 'rich peasants' by Donaldson and Good and (more prolixly) 'members of the indigenous bourgeoisie and would-be bourgeoisie' by MacWilliam (Ch. 22). In both places there were also much larger groups whose members remained anchored in subsistence agriculture while also engaging in household portfolios of monetised economic activity. Such income sources, including cash cropping, post-harvest processing, service provision and casual labour, were marked by informality and pervasive hybridity. Some (as, for example, women near Rabaul practicing *pipiai* trade) were inching towards a degree of specialisation and exchange, albeit still only at an informal level (Ch. 19). MacWilliam characterised such households as producing for 'immediate consumption as well as markets' and described their

economic interests as being increasingly opposed to those of the ‘accumulators’ (Ch. 18).

Earlier chapters have made frequent reference to political activity as a path to accumulation, one followed by many ‘business leaders’. Garnaut’s remarks (above), concerning priority given by the Somare government to redistribution of *high-level* economic opportunity, suggest the importance of political processes. In one such case Fitzpatrick described how big-men used ‘business group’ legislation as a ‘springboard’ to political and commercial power, creating ‘a type of group capitalism’ from which they ‘somehow’ emerged as primary beneficiaries (Ch. 22). The ‘entrepreneurship’ involved in this mode of accumulation—in which political access and influence played the dynamic role—bore little resemblance to the Schumpeterian ideal. The latter was a positive model defined by a capacity for constructive innovation. At its most effective, such entrepreneurialism imposed ‘creative destruction’ on capitalism, renewing its vigour by sweeping away outmoded technologies, products and ideas (Schumpeter 1942). In this universe political entrepreneurs such as described by Fitzpatrick found no place.

William Baumol (1990) enlarged the scope of entrepreneurialism by arguing it could also assume negative forms, taking as his text an assertion by the Marxist historian Eric Hobsbawm (1969): ‘It is often assumed that an economy of private enterprise has an automatic bias towards innovation, but this is not so. It has a bias only towards profit’ (Baumol 1990, 893). Emphasising the need to recognise both positive and negative entrepreneurship, Baumol cautioned that ‘at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy’. Entrepreneurial energies may be allocated either to productive innovation, or to unproductive activities such as ‘rent seeking or organised crime’ (ibid., 893–894). Innovation itself is not necessarily productive. It might for example take such forms as ‘discovery of a previously unused legal gambit

that is effective in diverting rents to those who are first in exploiting it' (ibid., 897).

In Baumol's account, the choices entrepreneurs make depend to a large degree on the prevailing 'reward structure', the 'rules of the game' (ibid., 894). These determine the 'relative payoffs' to entrepreneurial activities, whether productive or unproductive. Where incentives are perverse, profit-seeking entrepreneurs will be drawn in 'unproductive directions', with negative consequences for economic growth (ibid., 918). He illustrated this by drawing on accounts of earlier historical periods to illustrate how 'relative payoffs' have influenced entrepreneurial behaviour. Baumol suggested 'early rent-seeking' was perhaps the historical instance of unproductive entrepreneurship most relevant to modern conditions. 'Enterprising use of the legal system for rent-seeking purposes has a long history' (ibid., 907).

In the modern context, 'rules of the game' may include both a formal structure of policy and regulation within which entrepreneurs are supposed to operate and also a less formal framework of norms, conventions and customs derived from the culture and history of a people. Historical cases considered by Baumol played out over centuries and occurred at the centre of the civilisations in which they were set. None occurred in circumstances such as those of late-colonial PNG, where formal 'rules of the game' had been imposed by foreign authority and instituted over less than a century (much less, in the case of Goroka). The attempt was made to impose rules of an alien game on indigenous people, in the unfamiliar context of market economy, far from the colonial metropolitan centres. In such situations, 'a country cannot meaningfully institute general rules and strict limits unless the informal beliefs and institutions of the people in question legitimate those rules and limits' (Boettke 2009, 45). It should not be surprising that colonised peoples brought their own 'rules' to this situation; *hybridity* (as defined and reported in this study) is an inevitable outcome of such minglings of culture.

Nobel laureate Douglass North identified a number of ‘stumbling blocks’ to economic change and development. These were ‘implicit in Adam Smith’s *Wealth of Nations*’ but largely ignored by neoclassical economists because they require an institutional analysis. Most relevant to this study is ‘the movement from personal to impersonal exchange’ (North 2005, 84). Personal exchange, broadly equivalent to Maussian exchange, is set against impersonal (or market) exchange. The latter was viewed by North as ‘necessary for economic growth’ (ibid., 133).

‘Such a move has posed, and still does pose, a fundamental obstacle to realising the potential envisioned by Adam Smith when he viewed the wealth of nations as being a function of the size of markets. The necessary institutional changes required to realise the gains from large-scale (and impersonal) markets require fundamental rethinking at odds with our genetic heritage’ (ibid., 84).

To avoid misunderstanding we should comprehend North’s interest in ‘the complex interdependence of the evolving social structure the human mind has created’. His reference to ‘genetic heritage’ is not related to race or ethnicity but should be understood in relation to the mind/body problem—the relationship of thought and consciousness in the human mind to the brain’s operation within the body. North noted how ‘very little work has been done to understand the complex interdependence of the evolving social structure the human mind has created. Without that understanding we are basically crippled in attempting to improve the economic performance of societies’ (ibid.). This requires better institutions, but creating them will require ‘*a fundamental alteration in the structure of the economy and the polity which frequently is not in the feasible set given the historically derived beliefs and institutions of the players*’ (ibid., 118, emphasis added).

CHAPTER 26

Hart, Faber and the informal economy in Port Moresby

ALTHOUGH HE DID NOT USE the term, Keith Hart introduced the idea of *informality* publicly in 1971, at a conference on *Urban Unemployment in Africa*.

‘I argued that the Africans I knew, far from being unemployed, worked for irregular and often low returns. I combined vivid ethnographic description (“I’ve been there and you haven’t”) with some impressive-sounding economic jargon that I had worked out in conversation with my academic colleagues ... and I became known as the author of a whole new segment of the division of labour in development studies’ (Hart 1994).

The immediate and largely positive reception given Hart’s ideas in Washington and Geneva was due to a panicked climate of opinion then prevailing, among some international agencies and academic economists, concerning a supposed epidemic of ‘open’ urban unemployment in developing countries. Alarmist and ill-conceived projections of unemployment, such as those published by Richard Jolly (Jolly et al. 1973) depended on defining ‘employment’ exclusively in terms of formal sector jobs. Hart’s contribution, pointing to the

nature, extent and value of informal economic activity, assisted greatly in reframing the issue. He established a new understanding of urban realities in development, expressed in terms of the lack of sufficiently remunerative *income opportunities*, as distinct from a notion of open unemployment due to the absence of *jobs* (Ch. 2).

The Faber recommendation that an indigenous informal economy should be encouraged found a receptive audience among economic nationalists in PNG, while the idea of the informal ‘sector’—as it was originally called—achieved a degree of influence, at least at the level of rhetoric, on early planning priorities. It also found its way into the constitution of the new State (PNG 1975), drafted with several clauses implying the duty of government to support and encourage informal economic activity (Ch. 25). These appeared in a set of ‘National Goals and Directive Principles’, derived substantially from the Eight Aims. The Goals and Principles were attributed by one commentator to John Momis and Bernard Narakobi, respectively Deputy Chair and Consultant of the Constitutional Planning Committee (CPC), and Peter Fitzpatrick, an adviser in Somare’s office (Kari 2005, 244). Tos Barnett was in Somare’s office, responsible for relations with the Committee. As he recalled, ‘In the CPC view, nearly all matters concerning government organisation and functions and economic and social development were intended to be influenced by the wording of the Constitution and the spirit behind it’ (Barnett 1981, 64).

In the Preamble to the Constitution, among the National Goals, and in relation to ‘integral human development’, there is a call for ‘development to take place primarily through the use of Papua New Guinean forms of social and political organisation’.²⁵ Recalling constitutional debates at the time I have no doubt that this was

²⁵ The Constitution with the Preamble containing the ‘National Goals and Directive Principles’ is available at http://www.paclii.org/pg/legis/consol_act/cotisopng534/, while the ‘Eight Aims’ are listed in the Report of the Constitutional Planning Committee at <http://www.paclii.org/pg/CPCReport/Cap2.htm>.

intended to promote a model of development in which informal economic activities would play a leading role. The Preamble calls for ‘the family unit to be recognised as the fundamental basis of our society’, and for ‘every step to be taken to promote the ... economic and social standing of the Melanesian family’. This recognises the household as being, *inter alia*, an economic entity at the centre of the informal economy. Finally, support given to informality in the Preamble was confirmed by a further call, made under the heading of ‘Papua New Guinean ways’. It was an appeal for ‘particular emphasis in our economic development to be placed on *small-scale artisan, service and business activity*’ (PNG 1975, emphasis added).

When Hart came to PNG in 1972, the country was among the first in which the newly minted idea of economic informality (Hart 1971, 1973) was introduced into policy discussion although—oddly enough—PNG was among those developing economies to which the concept was *least* applicable at the time. Hart was optimistic his ideas would have value for orthodox development planning (Hart 1970) and this would become evident from the tenor of his contributions to the Faber Report. On arrival he discovered that informal economic activity appeared conspicuous only by its *absence* in PNG’s few small towns—the circumstance described in this study as a ‘conundrum’. The Report commented that ‘although the *rural* informal sector shows signs of becoming well-developed in Papua New Guinea, urban artisan and service activities are as yet virtually non-existent’ (ODG 1973, 4.11, emphasis added). This reference to ‘*artisan and service activities*’ appears to have been picked up by the drafters of the constitutional Preamble, as cited above.

This observation in the Report is doubly interesting, first because it identified a structural gap in the urban economy of PNG—the absence of a category of economic activity significant elsewhere in the developing world. But secondly it extended the idea of informality to the rural economy, whereas Hart’s original (1973) account of Ghana was very largely urban-focused. The

formal/informal distinction was central to the Faber Report's approach, shown by its categorisation of the PNG economy as comprising a modern or 'formal' sector and an 'informal' sector, the latter embracing 'smallholder agriculture (both cash cropping and subsistence production) and many other small-scale activities in town and country' (ODG 1973, 4.2). While Hart was influential in framing the Report it is possible his colleagues, rather than Hart himself, favoured extending the concept to rural activities—even including subsistence production. I suggest this because Hart's own view of subsistence agriculture, seen later in his *Political Economy of African Agriculture* (1982), does not permit such an interpretation. In any case, after the Faber experience and following 'a Marxist conversion', he 'dropped the idea [of informality] until the late 1980s, when its miraculous persistence encouraged me to revisit it' (Hart 2008a, 6).

The Report's judgement that urban informality in PNG was insignificant reflected a degree of foreign domination of the urban economy extending to very nearly the lowest rungs of commercial activity. Indigenous participation in the urban monetised economy was limited largely to *formal* employment at regulated minimum wages. Short-term circular migrants, predominantly men, made up the bulk of jobseekers. At the time I argued that the absence of a third, 'unprotected sector', of informal employment in PNG towns meant that *open* unemployment, such as was found in industrial economies, typified PNG urban labour markets (Conroy 1973). This made the two-sector analysis of urban unemployment by Todaro (1969) more applicable to PNG than to Asian or African cities with substantial informal economies (Conroy 1974a; 1976, 61–64; 1982b, especially 13–14). This hypothesis was tested by Garnaut and colleagues in analysing the 1973/74 PNG Urban Household Survey. With some qualifications, they found a significant positive relationship between the mean earnings of unskilled male migrants and three separate measures of unemployment across all PNG

towns. They also found a significant positive relationship between statutory minimum wages and rates of open unemployment among low-skilled males, across the towns (Garnaut, Wright and Curtain 1977, especially 7–10). These findings supported their hypothesis, derived from Todaro's original (1969) model, of an equilibrium rate of urban unemployment appropriate to any particular differential between urban and rural incomes (*ibid.*, 183).

In Port Moresby and other towns the primary objective of unaccompanied male migrants was to secure employment in the regulated, formal economy. Pending this, most lived in open unemployment supported by transfers in cash and kind from kinfolk, with little or no informal economic activity (*ibid.*, Ch. 6). Grumbling about unemployment in Parliament owed more to discontent in urban households obliged to support these *pasendia*, and to concern in rural areas about the absence of able-bodied men, than to suffering experienced by the unemployed themselves. Men could not remain unemployed without continued support of relatives and friends, nor could they afford to have women join them in town. As seen in my account of Port Moresby settlement life (Ch. 17), and illustrating the mechanism underlying Shand's belief in the existence of a floor to urban livelihoods (Ch. 25), many *pasendia* eventually returned home. So long as they did not fall into the categories described by Garnaut as either 'trapped' or 'dispossessed' (Garnaut 1973, 174), migrants with the alternative of returning to a relatively affluent subsistence sector were not willing to resort to the uncongenial option of urban informal work (Conroy 1974b; Fitzpatrick 1980, 27, 57). As shown by the results of Garnaut's empirical test of the 'Todaro hypothesis' (above), the time such men took before returning home was influenced by the level of urban wages, and by their probability of gaining employment (as signalled by the rate of open unemployment).

A 'normalised' urban population structure, showing due representation of families with women and children, was emerging.

In Port Moresby, 1971 census data indicated that in-migrants formed more than 60 per cent of the indigenous population (more than 90 per cent if migration from rural areas of the Central district around the capital was included; Skeldon 1979, table 7.39). Sex ratios became more balanced as families formed; the ratio of men to women, 282/100 in 1961, had become more 'normal', at 159/100, by 1971. This improvement notwithstanding, such a level of masculinity still indicated a degree of retarded urbanism—a condition prolonged by continuing in-migration of unaccompanied men from newer source areas. The sex ratio varied between ethnic groups; for people born in Port Moresby subdistrict it was nearly equal ('normal') while among people from the four Highlands provinces it was 577/100. This high masculinity reflected the recent and rapid increase of Highlander migration, their proportion of the capital's population having risen from 4.4 per cent in 1966 to 9.1 per cent by 1971 (Oram 1976b, 160).²⁶

A contemporary review of circular rural-urban migration patterns posited a continuum, ranging from (at one extreme) places whose people displayed a high propensity to migrate and low degree of circularity in migration to (at the other) places showing low propensity to migrate combined with high circularity (Conroy and Curtain 1985). This corresponded with the reality of 1970s Port Moresby, as shown by two urban populations—Toaripi and Chimbu—at either end of the continuum. These people were discussed above, in an account of the city's 'squatter' settlements (Ch. 17). Toaripi settlers were at the stable end in terms of demographic structure, housing and employment. They were long-established and seldom returned to their villages other than for short visits (Ryan 1977). The Gumine (Chimbu) people of Ragamuka were at the other extreme: highly masculinised, living

²⁶ Accounts of Highland migrant communities in Port Moresby in the period include those of Marilyn Strathern (1975), Salisbury and Salisbury (1977) and Whiteman (1973).

in the city's most disadvantaged settlement with a short history of urban life, relatively few formal jobs and frequent comings and goings. Speaking of a contemporary urban household survey, Garnaut, Wright and Curtain (1977, 185) commented that 'the most disturbing evidence ... was the very low wage levels and employment rates that Chimbu migrants appeared to be prepared to endure, even when they maintained close links with home villages'. It is not surprising that in Ragamuka Hugh Norwood (1979, 1984) found perhaps the greatest community reliance on informal economic activities than anywhere in Port Moresby at the time. While formal employment was still the main source of livelihoods everywhere else in the city, the insecure existence of Ragamuka settlers pointed to an unpromising future, likely to be shared by a growing proportion of urban residents in the era of Independence.

Debating informality

In an early account of the Faber Mission, Keith Hart owned to the intellectual transformation he was experiencing: 'like many others in the early 1970s, I was undergoing a conversion to French Marxism' (Hart 1994). As he recalled: 'The world turned for the worse in the 1970s and the other side in the Cold War gained a lot of intellectual credibility as a result. French structuralist Marxism and underdevelopment theories coming out of Latin America and the Middle East achieved widespread circulation among Anglophone economic anthropologists at this time' (Hart 2007; see also Hann and Hart 2011, 73ff). The 'turn for the worse' had been signalled by faltering economies in advanced industrial nations, as the long post-war boom came to an end. America experienced budget and trade deficits together with 'stagflation' (the combination of high levels of inflation and unemployment) while a 'run' to gold threatened. In response President Nixon ended US dollar convertibility to gold in 1971, spelling the end of the Bretton Woods system of fixed exchange

rates. America withdrew from its war in Vietnam and, with the ‘oil shock’ of 1973, stagflation became entrenched. This situation challenged orthodox Keynesian prescriptions for macroeconomic management and punctured the optimism of the post-war period. These events also threatened the comfortable assumptions of modernisation theory in the practice of ‘development’, described by Hart in typically pithy fashion as ‘the notion that poor countries could become rich by emulating “us”’. In retrospect Hart sees ‘modernisation’ as underlying his own initial research in Ghana. But such ideas ‘gave way to gloomier scenarios around 1970, fed by zero-sum theories of “underdevelopment”, “dependency” and “the world system” advanced by the other side in the Cold War’ (Hart 2012b). Together with economic uncertainty the events of 1968 in Paris signalled changing social *mores*, the influence of anti-colonial struggles and the attraction for the young in France and elsewhere of a revived and repackaged Marxism.

Hart’s conversion to Marxism was incomplete during his time in PNG; while there he ‘formed the opinion that what was needed was a Nyerere-style rural socialist government aiming at self-sufficiency and thereby meeting the needs for both national autonomy and lower rates of Australian subsidy’ (Hart 2002). That remark reflected contemporary interest in Tanzanian socialism, an enthusiasm distinguished from Marxism and shared by a number of academics and students at UPNG. Most notable among these was the liberal and humane Anthony Clunies Ross, Professor of Economics. Before the Aims were popularised he had written that, ‘there should be some positive human objectives among those toward which policy is directed’ (this after noting that, in Africa, Tanzania stood out because it had the ‘clearest and most uncompromising commitments to certain social objectives’: Clunies Ross 1973, 228). After the Eight Aims he did not pursue the subject further, accepting them as an authentic expression of PNG aspirations.

There were also Marxists in the university, and on the fringes of government, including in the Office of Chief Minister. Like Hart, Peter Fitzpatrick was in intellectual transition, for Port Moresby, however remote from the Parisian hotbed, was not exempt from its *frisson*. French Marxist anthropology ‘enjoyed cult status’ in this period (Hart 2007) and possession of a copy of Althusser’s *Pour Marx* or Althusser and Balibar’s *Reading Capital* was as clear a claim to progressive thought at UPNG as it was on the Left Bank. Marxists were inclined to dismiss the informal ‘sector’ on the principle that ‘its proponents mystified the essentially regressive and exploitative nature of this economic zone, which they preferred to call “petty commodity production”’ (Hart 2008b). Perhaps this was why Keith Hart, as he fell under the spell of French Marxism, dropped the idea of informality for a decade or more after the Faber experience.

In the beginning Fitzpatrick seized eagerly on the Faber Report and on the idea of informality. In later years he would see this as a delusion he had experienced, embraced for little reason other than it ‘fitted and supported the merely populist basis of my research’ (Fitzpatrick 1980, viii). This had been an error, because Faber had ‘encouraged the emergence of a populist ideology’, encapsulated in the ‘anodyne’ slogan, ‘Papua New Guinea ways’ (ibid., 202). It was ineffectual because ‘the espousal of populist notions [is] not enough to bring about fundamental change’ (ibid., 204). By 1980 he had come to accept the negative Marxist view of petty commodity production and to see the Faber approach as ‘riddled with insoluble difficulty’ (ibid., viii). Faber had been mistaken to suggest ‘that greater Papua New Guinea participation in the economy could be based on elements of the traditional mode’—that is, the ‘subsistence’ economy. To do so would amount to supporting the preservation of village life, the principle espoused by McGregor and Murray (Ch. 10). In *structuralist* terms, the ‘preservation’ principle ‘made for the conservation of traditional

modes of production because they served to subsidise capitalist production and to counter potentially disruptive class formation' (ibid., 2).

Cyril Belshaw (1957, 244) originated the idea that, under a system of indentured labour for unaccompanied men, villages effectively subsidised the plantation sector. This was later taken up by Charles Rowley (Ch. 12). Fitzpatrick (who must have been aware of the latter, if not both) preferred to attribute the insight to an ideologically more congenial source, the French neo-Marxian anthropologist Claude Meillassoux (1972). To see the significance of the 'traditional mode' in Fitzpatrick's evolving thought it is necessary to understand the influence on his generation of Althusser and Balibar's *Reading Capital*. That text:

'produced a reading of *Capital* that divested it of any residual elements of Hegelian philosophy ... The phenomenology of the human subject, the dialectic and indeed history itself were in effect dropped from their scheme. In their place a *deep structure of the ideal mode of production* was outlined, having three elements—producers, non-producers and means of production—whose variable combination was realised as concrete modes of production' (Hart 2007, emphasis added).

For PNG, the most complete elaboration of this framework is found in Fitzpatrick's *Law and State in Papua New Guinea* (1980) while its influence on such writers as Donaldson and Good has been discussed above (Ch. 23). The most elaborate application of 'under-development' theory to PNG was a book co-authored by three UPNG academics (Amarshi, Good and Mortimer, *Development and Dependency: The political economy of Papua New Guinea*, 1979). For UPNG the zenith of academic neo-Marxism may have occurred when Andre Gunder Frank, a celebrated exponent of dependency theory, accepted an invitation to interview for its Chair of Economics in 1976. Its decline probably commenced on

the day when, having met his prospective colleagues (including the writer) in Port Moresby, Gunder Frank declined the university's offer of appointment.

If Hart had ever toyed with these modes of thought it was well behind him by 1982, when his *Political Economy of West African Agriculture* appeared. In that study he rejected both 'the neo-Marxist literature on underdevelopment' and the elaborate machinery of French structuralist Marxism, in favour of a return to 'the tradition of classical political economy, both liberal and Marxist'. Concerning 'underdevelopment', while acknowledging Samir Amin Hart was critical of his emphasis on 'the extraction of value from underdeveloped areas by metropolitan capitalism' at the expense of inadequate attention to 'internal social processes of economic and political mobilisation' (Hart 1982, 15–17). This is consistent with Hart's own emphasis on 'the massive impediments to growth that originate in local material and social conditions' (Ch. 1). I argue here that such local factors were also crucial in PNG. Hart remains an eclectic Marxian, but as for French Marxism of the 1970s, it 'disappeared as suddenly as it had burst on the Anglophone scene. It did not survive the great watershed of post-war history, when social democracy gave way to rule by neo-liberal conservatives ...' (Hart 2007).

Fitzpatrick's abandonment of the idea of informality may also have reflected the failure of his efforts to promote it as a practical program. During his Port Moresby years he had collaborated with Loraine Blaxter to pursue a vigorous campaign supporting government initiatives to stimulate informal economic activity, and for the removal of a raft of regulatory impediments. In 1973 Chief Minister Somare announced 'a thorough review of all current legal restrictions', to 'make it easier' for citizens to engage in informal economic activities (Fitzpatrick 1980, 242). Blaxter and Fitzpatrick (1973a, 1973b) prepared papers announcing *A New Strategy for Development* and dealing with a wide range of activities

and restrictions. Activities they discussed included ‘liquor trading, passenger motor transport, street trading and marketing and small scale enterprises’ (Walsh 1983, 415). They listed a catalogue of impediments, including ‘penetration of expatriates into areas that are normally confined to the informal sector’, ‘comprehensive domination by expatriate interests of most areas of retailing and services’, and ‘a plethora of laws’ which ‘effectively debarred indigenous participation’ (Blaxter and Fitzpatrick 1973b, 5).

In arguing the necessity for regulatory intervention, Blaxter and Fitzpatrick explicitly dismissed the notion of subsistence affluence as a constraint on the willingness of unemployed urban dwellers to engage in arduous and low-paid informal livelihoods (Blaxter and Fitzpatrick 1973a, 9). The garbage-scavenging Chimbu people of Ragamuka were then among the few concentrations of such desperation found in the capital. These were the people, from a non-‘affluent’ rural district and ill-equipped for formal urban employment, whose tenacious grip on city life had (as mentioned above) so disturbed Garnaut and his colleagues. At the time, while not denying the influence of restrictive regulation, it seemed to me reasonable to argue that the reluctance of most other urban dwellers to ‘hustle’ like the Ragamuka Chimbu was due to continuing subsistence affluence in their places of origin. In short, Fiskian affluence appeared to set a baseline for the levels of real income and physical exertion most migrants were willing to tolerate. So long as rural societies retained some degree of affluence this constraint would continue to operate (Conroy 1974b). But affluence was a time-bound condition, liable to be eroded by rural population growth (Fisk 1962).

To be fair to Blaxter and Fitzpatrick, the Faber Report’s comments on Fiskian affluence might fairly be described as politely sceptical. Faber did not confront the concept directly; the team’s views manifested instead as a series of side comments, appearing in discussion of related issues. Some of these judgements appear

to derive from vulgarised conceptions of subsistence affluence (for the term had entered the bureaucratic language) rather than the cautious and qualified Fiskian original. Faber & Co. did not characterise the development process for PNG in terms of a 'transition from subsistence' nor did they regard 'pure' subsistence as a concept of any utility for the PNG of 1972 (ODG 1973).

At the time, writing in the journal *Yagl-Ambu*, I criticised Blaxter and Fitzpatrick for a degree of 'romanticism' in their advocacy of informality (Conroy 1974b). They had claimed that 'because the economic activities of the informal sector are social and "culturally embedded" ... Papua New Guinean forms of interaction can find expression more readily than in the informal sector'. Indeed 'more personal relationships are established. Economic activities are part of the fabric of life, not compartmentalised work' (Blaxter and Fitzpatrick 1973a).

In hindsight, I see this as a laudable attempt by them to view late-colonial Port Moresby through Polanyi's eyes. It brings to mind Hart's more recent concern—influenced by Polanyi—to explore the notion of a 'human economy' (Hart, Laville and Cattani 2010). However, Hart's informality can only be 'embedded' in an economic system in which specialised mercantile functions are performed; these were absent from Melanesian societies represented in the capital during the 1970s. Blaxter and Fitzpatrick's error, shared with the historian Lewis (Ch. 10), was to confuse traditional exchange with a supposed innate Melanesian capacity to 'truck and barter'. Traditional exchange was indeed 'embedded', but in a system of social relations quite unlike those of 'the market' (Ch. 6). In the context of 1973 Port Moresby, utilitarian trade was most commonly a hybrid activity in which market economic dealings sat uncomfortably alongside, and were apt to be compromised by, traditional behaviours. The analysis will turn to that issue in the next chapter, to examine the uneasy trio of formality, informality and hybridity still pervasive in Melanesia.

In a comprehensive account of the informality debate in 1970s Port Moresby, Croz Walsh reported that Blaxter and Fitzpatrick had ‘made 38 specific proposals for the development of an informal sector’, but that ‘none of these proposals ... had been implemented by 1983’. Walsh added a clincher: ‘And yet the informal sector has grown as predicted by its detractors.’ Thus, ‘high urban wages and high rural birth rates would, according to Conroy, most probably “produce a new generation of migrants sufficiently impoverished to be willing to operate in the informal sector” without any encouragement from Blaxter’ (Walsh 1983, 415). But when engaging in this debate I had no intention to denigrate informality. Quite simply, the time was not yet ripe for vigorous informality—‘a wholly desirable indigenisation of small scale trading and service activities’—to exist (Conroy 1974b, 312).

The debate had begun in the context of substantial minimum wage increases occurring between 1972 and 1975 and the new government’s indifference to burgeoning population growth, due to the reflexive pro-natalism of the indigenous political class. These factors suggested that (on Todaro principles) informality’s time would come as rural subsistence standards declined, when urban communities such as Ragamuka became more numerous, and as town populations grew increasingly distanced from their rural roots. Fitzpatrick came later to concede the significance of Fisk’s ‘affluence’, with his oblique admission that ‘the option of returning to the traditional social formation [i.e., Fisk’s ‘subsistence sector’] remains almost wholly open to urban residents and it will usually be easier for the unemployed to do this than to attempt to engage in urban petty commodity production’ (Fitzpatrick 1982, 27). Fitzpatrick and Blaxter had engaged in one of the earliest attempts at ‘formalising the informal’ (Conroy 1974b, 313) but this proved fruitless. The lesson was that the informal economy, rather than being nurtured, would have to arise in the usual manner—as pushback against the forces of bureaucracy, vested interest and prejudice.

Walsh characterised ‘the Blaxter School’ as having proceeded ‘from the assumption that major economic changes can be accomplished by decree’. This required ‘assuming there was the *political will*’ (Walsh 1983, 416, emphasis in original). But that *will* never existed, since the ‘fragile consensus’ on the Eight Aims could not overcome the combination of entrenched interests and bureaucratic prejudice—both expatriate and indigenous—arrayed against the informal economy. One expression of this was unease about ‘urban drift’, shown in periodic motions and resolutions in the legislature—in 1964, 1969, 1971 and 1973—calling on authorities to take action against migrants. This even extended to advocacy of apartheid-style ‘pass’ laws (Oram 1976, 169). Displaying an absence of what Hart has called ‘openness to plurality’ (Ch. 5) indigenous parliamentarians were still so influenced by the colonial ‘idea of the town’ that they were affronted by manifestations of street informality. At least some politicians and bureaucrats remain so in the twenty-first century, having unselfconsciously absorbed the ‘modernisation’ ethos of aid donors in a previous generation—the belief (as Hart put it) that ‘poor countries could become rich by emulating “us”’.

CHAPTER 27

An uneasy trio of formality, informality and hybridity

IN CONVENTIONAL ECONOMIC THEORY actors, formal or informal, are supposed to react in a predictable manner to price signals. Drawing on Adam Smith's notion of an inherent propensity to truck and barter in 'natural' economies, this way of looking at economic interactions was applied to Melanesian societies by anthropological formalists such as Richard Salisbury (1970) and by development economists. For example, Garnaut, Wright and Curtain (1977) applied the Todaro model (Todaro 1969) to movements of unskilled labour to PNG towns in reaction to rural-urban income differentials (Ch 26). But there is a difference between the initiative required for an economic actor to fill a formal job made available by *another* actor, and the initiative required to make one's *own* livelihood. The first case is amenable to formal analysis, but the latter raises issues of the cultural capacity for entrepreneurship (Ch. 25) and for specialisation and exchange—matters less amenable to orthodox economic analysis.

Blaxter and Fitzpatrick's efforts to 'formalise the informal' in PNG were mistaken in assuming an innate capacity to truck and

barter among people thronging its urban marketplaces. Specialised mercantile functions were not performed in traditional Melanesia and they scarcely emerged before Independence, aside from some premonitions on the Gazelle (Ch. 19). What they mistook for trucking and bartering was traditional exchange, which has both ceremonial and utilitarian elements. 'Gifts' are transmitted through ceremonial exchange, while 'commodities'—items for consumption by the ultimate recipient—are exchanged in barter (Gregory 1982). Cyril Belshaw showed the persistence of such behaviour in the urban village of Hanuabada after the Pacific War (Ch. 17) even though by then the community was essentially dependent on wage labour, having very largely abandoned subsistence production.

By compiling household budgets Belshaw found the distribution of household nutrition among families in Hanuabada was more even than for income or expenditure. People were subject to 'specific non-continuous demands for high ceremonial spending, met in large part by small contributions from numerous helpers' (Belshaw 1957, 77). Households often postponed their own consumption to make such contributions. Much food was obtained from other villages and this was a more important source for Hanuabadans than home-produced food, or even purchased food. These exchanges were strictly of subsistence commodities, not the result of any innovation in a 'petty commodity' sector (*ibid.*). Since 'petty commodity production' is the Marxist term for what is here called the informal economy (Ch. 26), Belshaw's finding was a convincing (if unconscious) rejection of any suggestion that economic informality was present in early post-war Hanuabada. There, the adult male population exhibited very high rates of *formal* employment and low rates of 'open' unemployment.

If we accept 'gift' exchange and 'barter' as pure types, then we see in the latter what Chris Gregory called 'relations between aliens by means of alienable things', analogous to trucking and

bartering. He distinguished this from ‘relations between non-alienable things’—the Maussian *Gift* (Gregory 1997, 52–53). Ian Hughes rejected any notion of ‘pure’ barter and ‘pure’ ceremonial exchange, describing this as an unwarranted ‘idealisation’, since they are merely ‘the poles at the ends of a continuum of occasions when goods change hands’ (Hughes 1977, 209). Along this continuum one might distinguish varying degrees of what Bill Stent called *hybridity* (Ch. 5) occurring where motives for gift exchange are mingled with those for barter. Like Gregory, Hughes accepted that objects may be either ‘commodity’ or ‘gift’ depending on context (*ibid.*). But if traditional exchange can be a hybrid activity the same is true, *a fortiori*, of contemporary exchange relationships, where utilitarian monetised exchange (the market analogue of traditional barter) is often tinged with customary elements. Economic hybridity occurs where what Hart called ‘residue’ persists and anthropology provides many instances of such hybridity (Ch. 5). An orthodox economist might regard these as arising in situations where Smithian trade is compromised by Maussian exchange (with the latter seen as the product of socially regulated customs). A (non-formalist) anthropologist might judge Maussian exchange (seen as a valid set of human choices) as compromised by ‘the market’. Both perspectives are necessary to understand the reality of late-colonial PNG, where some degree of hybridity in economic life was the norm.

In 1972 Faber commented that rural informality was (unlike the *urban* informal ‘sector’) ‘showing signs of development’. In such *lucky places* as the hinterlands of Goroka and Rabaul it reflected changes occurring in livelihoods due to the introduction and elaboration of monetary exchange, and to technical innovation in agriculture, off-farm activities, marketing and services. Rural informality occurred in households where Hart’s ‘residue’—evidence of earlier modes of production and distribution such as household subsistence, traditional exchange and customary land tenure—was

still apparent. The tenacity of such customary social arrangements is bound to result in hybridity wherever people enmeshed in the social relations of *The Gift* also engage in market economic activity.

Concerning *urban* hybridity, we should recall how informal construction activity transformed much of the physical fabric of Port Moresby (Ch. 17). While presented here as ‘investment’, such activity does not fit comfortably into the mould of individualistic, utility-maximising economic behaviour because it is hybrid in character. This was shown in Morata and Hanuabada where quasi-traditional processes of cooperation and exchange between villagers (more of Hart’s ‘residue’) enabled households to accumulate physical capital. In orthodox economic theory, settlement people could be seen as receiving income streams (‘dividends’ on their ‘investments’) based on the economic value of shelter provided by their self-built housing. Belshaw’s study showed the permeability of boundaries between formality, informality and traditional exchange in early post-war Hanuabada—demonstrating that informality is very often accompanied by hybridity in situations of social and economic flux. It showed the interaction between what might be called the ‘uneasy trio’ of formality, informality and hybridity (though it is necessary to understand that not all informal activity is hybrid).²⁷

Intellectual precursors of informality in Port Moresby

Hart had precursors in the academic literature of late-colonial PNG, when geographers began to speculate how livelihoods might be

²⁷ International agencies such as ILO campaign for the elimination of informality from middle-income states in Latin America and Eastern Europe, where the weight of official corruption, excessive regulation and criminality encourages otherwise ‘modern’ enterprises to operate informally, ‘under the radar’ (ILO 2007). However the activities of such enterprises are not normally ‘hybrid’ in the sense the term is used here.

gained in towns, other than in formal ‘jobs’. In 1970 Gerard Ward suggested that ‘an increment in the capitalist sector of the town’s economy may well support a disproportionately large increase in the “bazaar” sector’, an insight he attributed to Armstrong and McGee (1968). He warned against tying urban population projections ‘too closely to estimates of growth in the monetary sector workforce’ (Ward 1971, 101–102). Again, Harold Brookfield wrote that as Melanesians came to dominate town populations, ‘the social and economic character of the towns will be transformed’. He thought it likely ‘market-places will become the true cores of the larger towns, while shops come to occupy a more specialized and less central role’. Planners ‘should perhaps be seeking clues as to the sort of towns that will develop from places like Koki in Port Moresby’. Throughout Melanesia ‘a major part of the population growth in the coming thirty years will be taken up by expansion of the towns ... Such a forecast does not necessarily depend on expansion of urban [i.e., *formal*] employment opportunities, or on general economic expansion, as experience in Africa and Asia has clearly demonstrated’ (Brookfield with Hart 1971, 411–412).

Ward noted how Armstrong and McGee (1968) had applied Geertz’s concept of ‘agricultural involution’ to *urban* Southeast Asia. In an urban involutionary process, ‘the non-capitalist sections of the tertiary sector of the urban economy can continue to absorb increasing labour to an extraordinary extent’ (Ward 1971, 101). Coincidentally, Richard Salisbury (1971) had suggested the same possibility for the Tolai (Ch. 3). He feared they might experience agricultural stagnation and involution, leading to rural-urban migration. Rural poverty would then induce a parallel process—an immiserising ‘involution of services’—in the town of Rabaul. Compared with Ward and Brookfield, who seem simply to have considered the intensification of urban *marketplace* activities, Salisbury’s was a broader model of economic organisation based on tertiary sector service provision. He acknowledged the influence

of Ben Higgins, a former colleague of Geertz in Java in the 1950s. Paraphrasing Higgins, Salisbury noted the capacity of services to absorb many workers, 'taking in one another's washing' in increasingly labour-intensive processes (Salisbury 1971, 65, n2).

Ward (1971) echoed this bleak tone, in which taking in washing connoted an unproductive 'make-work' economic system. He saw informality as a sponge, absorbing urban unemployed in a situation of 'shared poverty'. Ward's prediction of dysfunctional urban growth for PNG, based on an almost unlimited capacity of its towns to absorb rural surplus labour, seems to have been excessive. He projected 'that an urban population nearer 1,000,000 than 500,000 should be expected in 1991' (ibid., 103). Fortunately, urban populations totalled only some 555,000 in 1990, with the urban share at 15.5 per cent, and urban masculinity at 126/100 (NSO 2004). Suggesting Todaro's equilibrating forces at work, these numbers indicated increasing 'normalisation' of population, rather than runaway urbanisation.

Hart did not represent his urban informal economy so direly, although initially he felt unable to resolve the question with which he had commenced: 'Does the "reserve army of urban unemployed and under-employed" really constitute a passive, exploited majority in cities like Accra, or do their informal economic activities possess some autonomous capacity for generating growth in the incomes of the urban (and rural) poor' (Hart 1973, 61). He could not endorse either a Marxian scenario of deprivation or the 'liberal', 'optimistic' possibility of 'a dramatic "bootstrap" operation, lifting the underdeveloped economies through their own indigenous enterprise' (ibid., 88–89). A decade later he returned to this question. He had come to believe that a modernising West African agriculture would generate 'an inevitable surplus of workers over the labour requirements of the organised urban economy, but the excess population will be supported by the trickle-down effect of government expenditures and by *the inherent economic dynamism of*

concentrated urban markets, which generate an almost infinite range of activities based on commodity exchange' (Hart 1982, 162 emphasis added). Hart was now pinning hope on an Arthur Lewis transition (Ch. 15). 'Eventually this work force will be absorbed into enterprises requiring cheap labour in considerable amounts' (ibid.). Most recently, in 2013, Hart felt buoyed by a contemporary wave of optimism for development prospects and economic integration in sub-Saharan Africa. He felt encouraged to declare that 'Africa's urban informal economy everywhere supplies food, housing and transport; education, health and other basic services; mining, manufactures and engineering; and trade at every level, including transnational commerce and foreign exchange'. Among the challenges for Africans was to build on this dynamism, by renewing 'the movement for greater continental unity' (Hart 2013).

The limited scale and scope of Port Moresby's informality

If it is not too mundane a prospect after such heady speculation we should return to 1970s Port Moresby. Hart's informality attracted enthusiastic political support, but also some scepticism, notably from Peter Williamson (1977). He accepted that 'affluence' constrained the level of urban informal activity, but thought this would change with population growth. Blaxter and Fitzpatrick's 'dream' of informality would in time become an urban 'nightmare' (cited in Walsh 1983, 415). Williamson's vision was neo-Marxian, with the poor seen as excluded, or marginalised, from access to opportunity. Dismissing the Somare government's support for informality as naive he asserted the need for a class solution—the radical restructuring of social and economic relationships. His approach was enlightened insofar as he pointed to the importance of illegal activities as an element in informality in mid-70s Port

Moresby. Perhaps this derived from a view of informality as urban pathology, but it was also consistent with Hart's original description (Hart 1973). Williamson was also outspoken in opposing Blaxter and Fitzpatrick's proposals to repeal public health and safety regulations, to encourage informal restaurants.

Unlike Williamson, Hugh Norwood was no sceptic. With (like Nigel Oram) previous experience in Africa, he assumed Oram's task of charting Port Moresby's burgeoning informal settlements. Norwood was involved in preparing the first national housing plan, incorporating breakthrough self-help policies (NHC 1975); later he campaigned for regulatory frameworks supporting informal investment in housing and local infrastructure initiatives (Norwood 1982). Affronted by my assertion that self-employed economic activity in Port Moresby was more distinguished by *invisibility* than informality (Conroy 1974b) Norwood documented the character and content of the 'informal sector' in the capital. Over a series of invaluable publications (Norwood 1978, 1979, 1984) he stressed the significance of informal construction as an element in the physical growth of the city, while recording urban informal livelihoods.

Among informal activities, Hart had distinguished between 'legitimate' and 'illegitimate' activities and documented the extra-legal provision of 'those goods and services usually associated with any major city's "red-light district"' (Hart 1973, 74). Norwood had no time for Hart's non-judgemental empiricism: 'Hart included thieves, vagabonds and prostitutes as part of the informal sector. Of course if we were to include the rascals²⁸ as part of the informal sector in Papua New Guinea we would have no great problem in showing that the informal sector is thriving' (Norwood 1978, 61). His observations of informality excluded many activities on

²⁸ 'Rascals' (*Tok Pisin, raskol*): criminals, possessing little of the raffish charm the term suggests in English.

moral grounds, but apart from residential construction Norwood's account of informality in the capital did not show it as thriving by international standards.

Recalling Hart's taxonomy of 'legitimate' informal activities in Nima (Ch. 2) will show just how threadbare Port Moresby's informal economy was in 1972. Hart distinguished numerous categories of primary (including urban agriculture), secondary (petty manufactures, artisanship) and tertiary activities, conducted by an 'urban proletariat' (Hart 1971) or 'sub-proletariat' (Hart 1973). The informal economy provided a large proportion of the consumption needs of residents in Nima and other such suburbs, but it also 'exported' goods and services to middle-class neighbourhoods. Concerning 'illegitimate' activities (described as 'all-pervasive') Hart made a distinction between illegal 'income opportunities' and criminal 'transfers'. The former involved providing goods and services, not only within Nima but also to middle-class neighbourhoods. Along with extraction of money from citizens of Nima through trickery and theft, the 'bourgeois' world of greater Accra was the unwilling source of many 'transfers' (owing to theft and burglary, for example). Urban crime was, *de facto*, a powerful agent of redistribution.

By comparison, Norwood's listing of informal activities (all 'legitimate') was modest. He offered a catalogue of informality which, aside from construction, included carvings and handicrafts, some produced in 'workshops'. Settlements acted as 'collection depots' for bottles and regular lorry pickups operated. Firewood was collected, cut and sold in a 'widespread system' from the urban villages and settlements. Motor vehicle repairs were done in many of the urban villages, whose inhabitants included skilled tradesmen, while the unskilled residents of Ragamuka extracted copper from cars for sale to scrap-metal dealers and picked over rubbish dumps for materials (including for home construction). Urban food gardening was 'well organised' and 'growing fast' while

swamps inland of the city supported a community of a thousand migrants, ‘completely dependent on the urban economy’, who caught *tilapia* fish for the markets (Norwood 1978, 61–64). In the markets, on a Saturday in April 1978 he counted over a thousand vendors in seven official marketplaces (including some 430 at Koki) and another 120 in unofficial ‘street markets’. Commodities for sale were mostly vegetables, with some handicrafts such as string bags (*bilum*). Betel nut (*Areca catechu*), a traditional stimulant, was offered in official markets and was the most important commodity in street trade. The ubiquitous PMVs (passenger motor vehicles) were ‘basically a system operated by the informal sector’. Apart from these, and informal construction, the only other service mentioned was the occasional ‘lawn-mower man’ (ibid.). He made no mention of ‘middleman’ services, though my own recollection is that—in an embryonic intermediary trade—some Highlanders were beginning to buy betel nut directly from producer-sellers for resale.

Norwood’s account of informal construction (written some years after Independence) suggests a more monetised process than was seen in Belshaw’s account of Hanuabadan ‘home improvement’ in the 1950s. To call it ‘self-help housing’ was ‘a misnomer’, for ‘what in practice occurs is that a network of small scale sub-contractors grows up composed of people who do the actual house construction’ and ‘who get their materials from cheap local sources such as offcuts from the timber mills’ (ibid., 65). This is not entirely consistent with another account in which Norwood reported that urban self-help housing may employ the labour of friends and affines, or it may obtain ‘paid specialist help on difficult bits’, commenting that ‘short-term use of specialist paid labour is an integral part of every self-help housing scheme (including unplanned squatter areas) I have ever seen in Africa and Asia ...’ (Rabuni and Norwood 1979, 338, n14). The implication was that this was also the case in PNG. It is more reasonable to

suggest that, while informal housing construction was becoming more commercialised, pervasive elements of traditional exchange remained; most urban home-building or home-improvement projects were still hybrid at Independence.

Norwood's reference to PMVs provided another important instance of informality combined with hybridity. Many of these vehicles were owned by village groups or extended families; they often had the character of communal utilities rather than commercial enterprises. He remarked that:

'Very few PMV operators in fact make a profit. But they are nonetheless the most important component of the urban transportation network in this country ... you can use a PMV for carrying passengers, taking food to market, a family picnic, a trip to the home village or otherwise as the occasion demands. Capital invested in a PMV rarely stands idle [and] Port Moresby would grind exceedingly slowly if we had to rely on a formal transportation network ...' (Norwood 1978, 66).

PMVs were essential to maintaining the active rural-urban linkages which supported urban informal activity. Towns such as Port Moresby tended 'to draw the economic life of neighbouring villages towards themselves, as villagers enter wage employment or activities that depend on cash flows that originate in the town' (Garnaut 1977b, 86). This process had 'accelerated everywhere with the improvement in roads and the establishment of village-based trucking businesses. There are people who lead very urban lives outside the boundaries of all the major towns ...'. Garnaut cited the Motu village of Gaire, some 50 km southeast of the capital where:

'8 per cent of work-age males who were considered to be residents of the village commuted daily to employment in the town. A further 37 per cent slept in Port Moresby during the week and returned to the village most weekends. Six per cent

were employed more or less full time in trucking and retailing businesses that were heavily dependent on the custom of urban commuters' (ibid.).

This showed a mix of formal and informal incomes and evidence of increasing synergy between town and country. Returning to Norwood's survey of vendors in the capital's markets, the great majority were just such people as the Gaire village commuters. Their market dealings were not so much a matter of *urban* informality as the urban face of a *rural* informal economy—a phenomenon also typical of Rabaul market. Such activity cannot be advanced as evidence of urban informality. Only if urbanites produced food for sale on town land (as some did), or purchased rural produce for resale in the town (as few did at the time), would this constitute *urban* informal activity.

Norwood's tally of informal economic activity suggests the limited scale and scope of Port Moresby's informal 'sector' in the mid-1970s. There were almost no petty manufactures. Service activity, aside from the important instances of construction and transport (and a rather vague reference to vehicle repairs) was very limited. Quasi-subsistence activities (gardening, fishing, firewood collection) were relatively important—a paradox of the urban informal economy in PNG towns, since in most other countries the urban scarcity of such primary resources forces people into service and trading activities more typically associated with urbanism. Concerning trading, Port Moresby's markets combined could muster only half the 2,000 vendors recorded by Scarlett Epstein at the Rabaul *Bung* as early as 1961. An apparently trivial circumstance was symptomatic: in an urban economy where firewood was used for much cooking, transport costs were relatively high and timber was abundant outside the town, 'charcoal is unknown [although it] is the basis of much of the informal sector in Africa and South America' (Norwood 1978, 67). Blaxter and Fitzpatrick might inveigh against regulatory barriers to street food

in Port Moresby but these were inconsequential compared with this technology deficit.

Interest in the informal economy following the Faber Report led to an urban household sample survey, conducted across major towns in 1973–74 (Garnaut et al. 1977). Earlier census data had shown little evidence of urban *self*-employment, with totals for the whole country of 432 persons in 1966 and 1,100 in 1971 (or less than 2 per cent of the employed urban workforce; *ibid.*, 6). In this later survey, across all Port Moresby households only 3 per cent were without any wage earner. The highest incidence of wagelessness, at 6 per cent, occurred in the city's traditional villages. In the settlements, Ragamuka (mentioned frequently above) was notable for its high incidence of wageless households. Across the town only 8.5 per cent of men (and 15 per cent of women) reported earning some informal income in the previous week. Echoing Hart's findings in Nima, in Ghana (Ch. 2) for these men informal economic activity was as likely to be a supplement to wage income as a specialist activity. Moreover, 'very few men or women earned as much as the urban minimum wage from informal businesses' (*ibid.*, 126–127).

Other than in urban villages, the few wageless households had typically migrated from far distant, relatively disadvantaged places (*ibid.*, 125–126 and table 6.3). Wageless households in Port Moresby 'sold things' (22 per cent), borrowed money (4 per cent), received food as transfers (24 per cent), grew their own food (18.5 per cent), and had 'other' (26 per cent) sources of support (*ibid.*, table 6.4). These numbers suggest the 'urban subsistence'²⁹ and 'exchange' economies were probably more important than monetised informal activities. Finally, Croz Walsh reported some official data for urban household expenditures in 1975–76 (NSO 1976). The average outlay on purchases from market and street vendors in Port Moresby was

²⁹ On the concept of 'urban subsistence', see Evers (1981).

12 per cent of all 'citizen' expenditures (Walsh 1983, 416). Given the importance of betel nut in the urban consumption 'basket' (later estimated at 7.5 per cent; Connell 1997, 71) this suggests the very limited scale and scope of other elements in the urban informal economy.

Why so threadbare?

Why was economic informality insignificant in the capital on the eve of Independence? First, there is the anthropological evidence (Allen 1985; Harding 1994; Hughes 1977) suggesting specialised mercantile functions had no analogue in traditional Melanesia. This provides some explanation for the tardy emergence of informal enterprise (though not suggesting it could never emerge). On the Gazelle, vigorous rural informality was evident, while only of a 'secondary' character (notwithstanding some incipient middleman activities). Activities there were characteristically tinged with hybridity, suggesting incomplete progression from one mode of economy to another. Similarly, informality in Port Moresby was seen in (for example) investments in private construction and 'communal utilities' such as PMVs. The city offered abundant evidence of hybrid behaviour, although much less of the individual economic activity evident in Rabaul.

Blaxter and Fitzpatrick's argument turned largely on the issue of regulatory impediments. Historically, on the Gazelle Peninsula, German and Australian authorities failed to suppress Chinese and Tolai informal activity despite weighting the regulatory scales against them (Chs. 8–9) and it can be argued that the absence of Chinese from Papua until the late 1950s impeded the rise of informal activity there (Ch. 10). Impediments listed by Blaxter and Fitzpatrick can hardly have encouraged indigenous 'micro-entrepreneurs', but legal measures have had limited effect in preventing antisocial behaviour in other spheres of PNG life.

‘Law and order’ problems are still a major impediment to formal economic activity in the twenty-first century (Betteridge and Howes 2013) and informal activity is even more vulnerable to disruption—whether by criminals or by the criminal behaviour of those appointed to police them.

Other considerations include technological unpreparedness (leaving aside urban agriculture, to which traditional skills are directly transferable). Scarlett Epstein was disappointed by the absence of informal manufacturing on the *Gazelle* (Ch. 19) and Norwood remarked their paucity in Port Moresby. Difficulties of remedying this were suggested by Bill Stanner soon after the Pacific War (Ch. 1). Though dated, his comments suggest the magnitude of the skills gap: ‘native handicrafts and productive techniques are still extremely backward’, using ‘the simplest cutting tools and equipment’. Traditional techniques often involved great skill, but this did not transfer readily to modern tools and techniques. Although individuals were ‘highly teachable’, in the main ‘conceptions and skills remain primitive’. Traditional methods of ‘dealing with the environment, the tools and equipment ... are all closely linked with a simple division of labour, little specialisation, and an undeveloped system of trade (Stanner 1953, 394). There is no hint of determinism, and Stanner’s references to ‘division of labour’, ‘specialisation’ and ‘trade’ anticipated the argument of this study.

Other problems held back informal food preparation. Traditional hygiene standards brought street vendors into conflict with health inspectors. The absence of charcoal was relevant to food preparation but also had wider implications. Charcoal-making would have been a valuable micro-industry and have provided inputs for other activities. Walsh suggested prepared foods for indigenous consumption were cornered by the formal sector. He neglected the possibility of indigenous operators, appropriately equipped and with greater understanding of technical possibilities,

preparing foods more congenial to local tastes than industrial fast food.³⁰ Street food was merely one example of a broader problem, the need for an informal production system capable of supplying a basket of goods and services suited to indigenous tastes and incomes, and priced accordingly, rather than one heavily dependent on imported commodities.

Among the reasons for limited informality advanced by Walsh (1983, 416) were historical ('recent urbanisation'), cultural ('inappropriateness' of skills, absence of middlemen), and institutional barriers. The latter included 'lack of opportunity to develop small-scale activities ... in an urban economy which in itself displayed limited economic functions' and 'was dominated by two large overseas firms and entrenched small and middle-sized enterprises also controlled by aliens'. This is persuasive; his account of industrial structure in Port Moresby overlaps that of Blaxter and Fitzpatrick ('comprehensive domination by expatriate interests'), and contrasts with late-colonial Rabaul. There, the 'commanding heights' were less oligopolistic, and an understory of medium and small Chinese enterprise still existed to offer opportunity and example to independent Tolai enterprise.

Then there are factors associated with 'the idea of the town', which Nigel Oram (1976) thought so deadening in patterning the livelihoods of people in Port Moresby. He contrasted the colourful and chaotic urbanism of the pre-colonial city of Ibadan with the

³⁰ A contemporary Vietnamese observer commented on the 'street-food' issue: such services 'require adequate knowledge and/or modern sector experience'; their development would be delayed 'until the presently acute shortage of indigenous skilled manpower ... is fully satisfied'. Street food needs 'complementary services and knowhow. Sidewalk street stalls not only need cheap and effective sources of energy ... They also require a great deal of culinary inventiveness and innovation ... However the cooking tradition in PNG ... cannot be easily modified or adapted ... [while] subsistence and imported food ingredients are relatively expensive for ... low-income national families' (Lam 1978, 15).

retarded urbanism he found in Port Moresby (Ch. 11). It reminded him of towns established in Eastern Africa by British colonialists—quite unlike Ibadan, where formal and informal manifestations of urbanism were side by side. Where rigid zoning occurred it robbed colonial cities of the capacity for informality. Keith Hart has made the same point:

‘In West/Central Africa, where white settlement was minimal, the cities were substantially an indigenous creation and their markets were always unregulated. Foreign middlemen like the Lebanese flourished outside colonial controls ... In Southern Africa, however, cities were built by white settlers who imposed strict controls on the movements of Africans. South Africa’s informal economy today is hedged in by rules and interests ... designed to promote modern industry. Elsewhere, in Zimbabwe, Mozambique and Kenya, the state has long played a more controlling role than would be considered normal today in Lagos or Dakar’ (Hart 2013).

Finally, there is the relative ‘affluence’ of the subsistence economy. In conditions still applying in the mid-1970s rural affluence set a base rate for the levels of real income and physical exertion most urban incomers were willing to tolerate (Conroy 1974b). My argument was that rural population growth would whittle away Fisk’s surplus margin over time and increasing numbers of urban migrants would be forced to ‘hustle’. This was how it affected the impoverished Chimbu in Ragamuka, even before Independence. Fitzpatrick came to accept this and Williamson accepted it from the beginning but Walsh thought it superfluous. He preferred an explanation based on ‘the nature of the urban economy and the place of the rural poor within that economy’ (Walsh 1983, 416).

The construct of subsistence affluence rests on the same foundations as another generalisation central to the argument here: that PNG’s subsistence societies neither needed, nor did they

throw up, any professional traders, merchants or itinerant peddlers. In Fisk's model (1962) the social groups enjoying affluence were self-sufficient, though in practice they engaged in traditional, non-market exchange—both ceremonial and utilitarian. But the essential feature of such societies—what Fisk called a 'recognisable caricature' of reality, and others a *stylised fact*—was an *in principle* self-sufficiency. 'Affluence' was founded on this construct, sufficiently close to the truth to justify also the generalisation (arrived at independently by Allen, Harding and Hughes; Ch. 6) that PNG lacked mercantile societies. These linked ideas, of subsistence affluence and the absence of a mercantile tradition, provide an explanation of the slow emergence of an informal monetised economy in colonial PNG.

CHAPTER 28

Dilemmas and consequences of urban growth

HAVING DEALT WITH post-war events to the Faber period and political developments to Independence in 1975, this study turns now to other late-period matters significant for the informal economy. To avoid distortions from an arbitrary cut-off date, the narrative will touch selectively on the post-Independence period. Hindsight's luxury may enable conclusions to be drawn concerning the longer-run significance of events between 1972 and 1975. At Independence formal wage employment was still of overwhelming importance to Port Moresby livelihoods, while Garnaut, Wright and Curtain (1977) demonstrated that urban informal incomes were no more important than either urban subsistence or traditional exchange (Ch. 27). Wage determination processes were examined (Ch. 15) for their influence on the stability and productivity of a growing urban workforce. That account left off after describing how, during the 1960s, colonial authorities felt their way towards a tripartite regulatory framework and a wage structure supporting a committed urban workforce.

By 1972, with a new government including former and serving trade unionists, the stage was prepared for what Garnaut termed

a ‘structural change’ in the wages system. This delivered a shock with implications for rates of urban migration and employment. It coincided with a setback to the national budget, taking the form of ‘cessation of the strong growth in Australian aid and real public expenditure that had provided the main impetus to the expansion of urban employment from the early 1960s to about 1973’ (ibid., 186). The departing Australians enforced a programmed reduction of aid, presenting PNG with a fiscal challenge and imposing financial stringency on the young nation.

The Gordian knot of wages policy, revisited

In 1972 a newly constituted Minimum Wages Board (MWB) raised Port Moresby’s unskilled wage from \$8.00 to \$11.50 weekly (and to \$13.80 after 12 months). Garnaut thought the initial increase sufficient, by itself, to ‘exceed the opportunity cost of labour drawn from the village by a significant margin’. It was enough to tip the balance of advantage, between working in village or town, decisively in favour of the town option (Garnaut 1973, 173, n9). Rapid inflation in 1974 impelled another MWB hearing as public demonstrations and student protests rattled the Government (Hegarty 1998, 221). Garnaut, then working at the New Guinea Research Unit but soon to take up a senior policy role at the PNG Ministry of Finance, was dismayed to learn that government, on advice from remnants of the colonial administration, had decided against making any submission to the wages hearing. Reading signals that the Board would react extravagantly to political pressures, and in the absence of any coherent response from employers, Garnaut made a private submission to the MWB. Arguing that if the Board judged real wage increases to be warranted—and he acknowledged that circumstances might eventually justify real wage increases, even large ones—he urged such increases be phased-in over time, and with caveats applied.

Garnaut argued that the MWB determination should not be ‘a limited response to short-term economic circumstances’, but should be ‘set in an appropriate long-range context’. He suggested a ten-year timeframe, during which proposed natural resource projects ‘would commence to alter the picture’, by increasing national capacity to pay real wage increases. Garnaut thought, on reasonable assumptions, ‘it would be probable that the nation could afford an increase of 50% in real wages over the decade’—even 100 per cent in the event of major improvements in PNG’s external economic environment (Cunningham 1974, 8–9). That was only one possibility, but phasing-in any wage increases gradually would allow most of the increase to be withheld, if it were shown by subsequent events to be unwarranted.

In the event, the 1974 hearing established the principle of an ‘Australian-style’ family needs-based wage. It increased the urban minimum to \$20.00, to be followed by a further increase to \$25.80 in 1975. It also determined that another Australian precedent—automatic indexation of wages against consumer prices—should apply. As Garnaut recalled, the Board awarded ‘large increases in the urban minimum wage after a series of hearings that were well tuned to the political hysteria of the time, without having official government advice on the stabilisation problem’. Subsequently, it ‘became aware that urban wage developments ... had forced much of the burden of adjustment to later, harder times onto poorer, rural communities’ (Garnaut 1977a, 16).

Automatic indexation had the effect of ‘locking in’ these substantial real wage increases; its consequence was to install what one commentator called ‘the fatal Australian system of wages indexation’ (McGavin 1991). PNG would be burdened by an inappropriate and crippling piece of Australian industrial relations machinery. Australian advocate Bill Kelty appeared at the hearing for PNG trade unions and called Chris Gregory, then a UPNG economist, as an expert witness to argue for indexation

(Cunningham 1974). Much later, another economist commented that:

‘the most important effect ... was to feather ... the nests of those privileged enough to have formal employment in an urban centre. Among the “achievements” of the pre-independence 1972 and 1974 wage determinations was the fostering of an explosion in urban wages and the strengthening of the dichotomy between urban and rural rates. In fact, between 1972 and 1975 the real urban wage for unskilled workers increased by 118 per cent while the real rural rate increased by just 2 per cent’ (Levantis 1997a, 54).

After these events Garnaut made an enigmatic observation: in the early years after Independence the ‘coincidence of the large increase in urban wages and increased difficulties of obtaining employment would have had quite complicated effects on perceptions of the attractiveness of urban residence’ (Garnaut et al. 1977, 187). This statement is decodable if Todaro (1969) is understood as his starting point. Garnaut anticipated substantial wage increases to precipitate increased in-migration by jobseekers, emboldened to endure more extended periods of urban unemployment. In the longer run, the migratory impulse would be countered to some (unknown) degree by a reduced availability of employment opportunities. This would result from the presumed negative reaction of private employers to increased labour costs, and the negative impact on employment of the ‘tapering’ of Australian aid. Wage increases would reduce labour turnover among the employed, making life more difficult for jobseekers. ‘Family-based’ wage rises would encourage greater inflows of women and children, contributing to the normalisation of urban population structure. Over time these processes would increase the numbers of those whom Garnaut called the ‘dispossessed’ (Ch. 26). These were persons (perhaps

born in the town) who had lost contact with village society and had no option of returning.

The net effect of these disparate forces on ‘perceptions of the attractiveness of urban residence’ was problematic. Any increase in net inward migration would probably raise the incidence of open unemployment and increase incentives for the unemployed to engage in legal or illegal informal economic activity. In the longer run the propensity to engage in urban informal activities would also be increased by rural population growth and the continuing erosion of subsistence affluence (Conroy 1974b). As against that, greater *rural* market economic activity, including cash cropping and a thriving rural informal economy, might operate to counteract the forces of urban immiserisation to some degree. This latter set of possibilities was explored in previous chapters concerning post-war Goroka and Rabaul.

The first Somare government did not make a submission to the 1974 MWB determination. Nor did it formulate a coherent wages policy before the end of 1975, ‘by which time a large part of the increases in resources that became available to the government over the five year period [of Australia’s aid commitment] had been appropriated by urban workers and public servants’ (Garnaut 1981, 187). Once ministers understood this, the government ‘opposed strongly any [further] increase in real wages, but has not contemplated the large *reduction* in real wages that would be necessary to achieve balance between rural and urban benefits in the short term’ (Garnaut et al. 1977, 191, emphasis added). On this point, at least—the importance of the balance between rural and urban benefits and the need for sacrifice—Keith Hart would have agreed with Garnaut. In a paper addressed to a PNG audience, Hart (1974) emphasised the importance of ‘the distribution of welfare’. This was ‘so much distorted in favour of towns [that it] attracts people away from the land, even when the threat of penury does not push them off it’

(*ibid.*, 11). Hart is scornful of orthodox economics, as embodied in constructs such as the Todaro model employed by Garnaut and others (including the writer) for the analysis of such situations. ‘How perverse, then, to draw attention to the “minimum wage” or to “education” as *causes* of rural-urban migration!’ (*ibid.*, emphasis in original). Hart’s alternative was Spartan. He urged the new PNG elites to accept:

‘that they themselves constitute the greatest threat to their country’s well-being, with their borrowed life style, borrowed attitudes and borrowed money. They must accept reduced living standards and look to policies which are inspired by local needs and availability, rather than be guided by imported western [*sic*] notions of what is appropriate’ (*ibid.*, 14).

Failure by the PNG elites to accept this counsel of perfection must be central to an explanation of subsequent events, whether framed according to orthodox economic theory or Hart’s own political economy. Garnaut’s analysis started with wage levels, though his account of *causes* was more nuanced than Hart suggested, since it also revolved around the ‘distribution of welfare’. Garnaut articulated a contemporary, more complex, version of the ‘Gordian knot’ (Ch. 15). Wages policy is ‘very important to the containment of rural-urban imbalance’ but PNG governments face dilemmas, because:

‘urban wages and salaries support much higher standards of living than are available in rural areas, and yet the living standards of nationals in the towns are very low ... in comparison with the very large ... numbers of foreigners ... present in the towns. Minimum wages are also modest in relation to living standards in the most prosperous village communities. Urban minimum wages are very high compared with incomes in rural areas, and yet much lower wages would not support the stability

in the workforce that brings large benefits to productivity in some occupations. Wage and salary levels for people with special skills and long experience of formal education are very high by village standards, and yet differentials within the wage and salary structure are very small by international standards' (Garnaut et al. 1977, 191).

Policy options were limited because real wage levels and wage differentials were now mostly 'locked in' by indexation. Garnaut suggested government had more flexibility to improve rural-urban balance by skewing the allocation of its spending. But this was beset by political difficulties, not least 'pressures for conspicuous expenditures in urban areas'. He thought urban unemployment would likely worsen, though the problem should not be exaggerated: 'urban unemployment is one symptom and, at this stage, one minor cause of the very large national problem of inequitable income distribution'. And, in another enigmatic observation, he suggested that as unemployment grew more serious this realisation might '*expand the range of politically feasible policy options*' (ibid., 193, emphasis added). His analysis was guided by a political economy not so very different from that governing Hart's Spartan policy prescription.

In the event, as McGavin commented later, 'minimum wages remain in 1990 ... at much the same real level as in 1975. An inflexible wages policy that inhibits economic growth had been set in place' (McGavin 1991, 39). Partial indexation after a new MWB decision in 1983 engineered moderate falls in real wages in later years—but with the partial indexation enforcing 'speed limits' on real wage reductions. Urban minimum wage regulation effectively ended in 1992, with the establishment of a national minimum at the much lower level of the rural wage. These changes and their consequences for the informal economy are discussed below, in the Epilogue to this study.

Urban growth and change, in the 1970s and beyond

To consider demographic consequences of wage increases between 1972 and 1975, an examination of the record of urban population and employment in subsequent years is necessary. Walsh concluded that 'the period 1971–80 showed continued high rates of migration to most towns, most especially to Port Moresby and Lae'. At the national level, urbanisation experienced in PNG was exceptional: 'between 1966 and 1980, the urban sector ... had more than trebled (104 to 366 thousand) to include some 12 per cent of the population compared with nearly five per cent in 1966. Citizen annual population growth in Papua New Guinea between 1966 and 1980 was about 2.1 per cent; urban sector growth during the same period was at least nine per cent and for the period 1971–80, probably about eight per cent' (Walsh 1984, 79).

For the capital, we are also able to consider the shorter period to 1977 because an urban population study was conducted in Port Moresby in that year. From the 1960s it experienced secular demographic change, associated with a shift from circular labour migration to more permanent urban residence. An index of this was the progressive normalisation of its population, the convergence of urban age, sex and dependency ratios towards national averages. The proportion of wage earners to population in the capital fell rapidly from 0.42 (42/100) to 0.35 between 1966 and 1971, and to 0.32 at the time of the urban household survey in 1973–74. This represented progressive increases in the proportion of dependents to employees (Garnaut 1979, 9). But results of the urban survey in 1977 suggested a pause in this process. The ratio seemed to stall at 0.31, 'despite very large increases in earnings per employee' after the wage increases of 1974 and 1975.

Garnaut concluded that 'the maintenance of relatively high population growth in recent years seems to have been made possible *only by an acceleration in the rate of expansion of citizen wage employment in*

Port Moresby’—that is, rather than by continuation of the secular trend of increasing family formation (*ibid.*, emphasis added). He showed that the proportion of work-age males in wage employment remained essentially constant between the surveys of 1973–74 and 1977, but that significant changes had occurred among the rest of the adult male population. Specifically, the proportion of men ‘actively seeking work’ (i.e., the ‘involuntarily’ unemployed) increased, while the proportion of ‘short-term visitors’ to the capital (the ‘voluntarily’ unemployed) decreased. In sum, ‘open’ or ‘involuntary’ unemployment increased in Port Moresby between 1973 and 1977 (*ibid.*, 10).³¹

Because this account has referred frequently to the ‘Todaro model’ and made the case for its applicability, we should consider how the trends described may be interpreted in terms of it. Todaro (1969) was concerned with the inflow of adult *jobseekers* to the urban labour market, rather than the total inflow of *migrants* to urban centres. It is an oversimplification to attempt to relate changes in incomes and job prospects to the rate of growth of *total* urban population (Conroy 1977, 7–8; Garnaut 1979, 11). The model makes predictions about changes in unemployment levels, subject to countervailing forces. These were, first, income differentials, raised dramatically by the wage increases of 1972–75. Second, employment opportunities increased in the capital in a buoyant economic environment occurring in the immediate wake of Independence. One would expect the Todaro model to predict greater involuntary (open) unemployment in the face of increased in-migration of jobseekers responding to wider urban-rural income differentials. That is what Garnaut found. Further (and even more important) the 1977 data suggested ‘a workforce characterised by much lower rates of employment *turnover*, which possibly emerged in

³¹ See also Garnaut, Baxter and Krueger (1983, 151–158) for the continuation of these trends to 1980.

response to the increased wages through 1974' (Garnaut, *ibid.*, 11, emphasis added). Lower labour turnover made jobs more difficult to find.

These countervailing forces produced a situation in which a more highly-paid workforce was operating in a tighter labour market. But because the rewards for patience in job-search were higher than ever before, the unemployed were prepared to hang on longer in town. This situation should have been more favourable to the emergence of informal economic activity, particularly as the numbers of young people, 'dispossessed' by reason of having grown up in the city, were also increasing. In future years the longer-term implications of inordinately high urban wage levels (inordinate by comparison with rural living standards) would work through urban society, often with unpleasant results. Levantis later attributed the spectacular increase in criminality in late twentieth-century Port Moresby to the operation of these forces (Levantis 1997b). Economic crime (recognised as informal by Keith Hart [Ch. 2]) became significant in the growth of urban informality.

Port Moresby appeared alone among PNG towns in enjoying a high rate of population growth over the whole period 1971–77 (Garnaut 1979, 11). Further, only in the capital was rural-urban migration of much greater significance than natural increase in determining total population growth (Conroy 1982b, 18). For the longer period to 1980, the national census that year permitted analysis of 'duration of residence' data for urban areas, and inter-provincial moves before and after Independence. After examining the evidence, Walsh thought it 'reasonably clear' that the capital 'had experienced a high, and possibly an increased rate of migration, and therefore of [population] growth, *since* Independence' (Walsh 1984, 80, emphasis added). Reflecting its political and bureaucratic importance, Port Moresby had emerged as PNG's primate city.

Before self-government, Clunies Ross (1971, 473) had written that 'viewed as a national economy' PNG was 'one of the least

internally integrated'. In the absence of anything resembling a national road system, a number of port towns (Rabaul, Madang, Lae, Port Moresby and others) had each served its own hinterland. They were oriented to local export-agriculture or mining, and largely cut off from the rest of the country. Aside from the administrative functions of governments and Christian missions, these towns were decentralised focal points for local commerce, transport and communications. At the end of the 1960s, aggregate commercial production was centred primarily on exports (40 per cent of market sector net national product in 1969/70) while imports of goods and services were 55 per cent of market sector gross national expenditure. The national economy was extremely 'open' while markets for domestic produce were small and localised. In consequence, 'only a very small proportion of urban cash spending on food goes on local vegetables, fruit, fish and meat, which include the traditional staples'. Clunies Ross commented that 'presumably [imported] rice, flour, sugar and tinned fish and meat are more conveniently procured than the corresponding local foods, and in some towns they are much cheaper per unit of food value' (*ibid.*).

Suggesting potential for incremental import-replacement of foodstuffs, domestic production and marketing of food in and around Port Moresby had increased 'markedly' in the 1960s (though only to an annual total of \$5 million, as against food imports to the town of \$37 million in 1970) and prices were rising in the face of excess demand (Langmore 1972, 26). A decade later Garnaut was more sanguine about the state of the domestic produce market, citing estimates of annual national marketed produce worth some K100 million, perhaps as much as 12 per cent of private final consumption expenditure. Sales were growing faster than population in urban areas (Garnaut, Baxter and Krueger 1983, 94–95). But such improvements represented no more than incremental progress towards self-sufficiency.

At Independence PNG remained a predominantly agrarian society capable, in principle, of feeding its rapidly growing urban populations but still exhibiting very limited internal market integration and high import-dependence for marketed food supplies. Correcting this imbalance would require non-marginal change, a shock capable of altering the sluggish trajectory of internal market development by stimulating indigenous food production and marketing. Detailed discussion of the post-Independence period is beyond the scope of this study. However, a brief account below—an Epilogue—will suggest how the necessary ‘shock’, structural change in urban wages, played out over the last quarter of the twentieth century. It will also consider the further evolution of informal economic activity in the early twenty-first century.

Epilogue

‘ONE OF THE DIFFERENCES between anthropology and economics is that the ethnographic tradition is a genre of realist writing based on foregrounding people’s activities in the places where they live, whereas the latter is a species of thinking, generating ideas about what should be done to solve society’s economic problems. I have tried to beat a path between these two intellectual models, but in the process the idea of an informal economy has become a focus of academic and policy discourse with the reality of people’s lives often forgotten’ (Hart, personal communication with the author, 10 May 2012).

Starting this Epilogue with a discussion of macroeconomic policy may seem rather bloodless to many readers, but I hope these chapters have not lacked humanity. Perhaps it lacks that sense of ‘the reality of people’s lives’ found in the best anthropological narrative? But what economists call ‘the numbers’, as cited here, speak to a wrenching process of adjustment, involving much personal hardship. ‘Rules of the game’ set in place by MWB wage determinations allowed no happier alternative, if PNG were to be placed on a sustainable path to economic growth and higher real incomes.

The Independent State assumed responsibility for managing its own exchange rate in 1975, but the circumstance that wages

had become subject to indexation against consumer prices (the ‘lock-in’) remained. This entailed an unfortunate consequence: the price effects of any currency devaluation (in PNG’s open economy, where a large proportion of wage-goods was imported) would flow through directly to the consumer price index. This in turn would result in increased nominal urban wages. The destructive events of 1974—reflecting what Garnaut had called ‘the political hysteria of the time’—were driven by inflation (Ch. 28). PNG Finance Department officials were determined that such circumstances should not be allowed to recur. It would be necessary for authorities to work around this situation, to find a feasible approach to macroeconomic management.

The main thrust of macro policy became to maintain the external value of the new national currency (the kina) and devaluation was necessarily eschewed as a policy option. Described by Garnaut as ‘a simple, low-maintenance economic policy’, it was ‘designed to achieve low inflation, a convertible currency and financial stability’ (Garnaut 2000, 32), with the objective of avoiding import-induced wage-price spirals and consequent loss of international competitiveness. This *hard kina strategy* (Garnaut et al. 1983) was largely successful in securing macroeconomic stability. It also achieved modest, positive levels of economic growth during its application (Garnaut 2000, 33). However, the essential problem, ‘excessively high urban minimum wages entrenched by wage indexation’, remained (Garnaut et al. 1983, 233). Macroeconomic stability was hostage to fiscal indiscipline and external shocks.

During one such episode, between 1980 and 1982, Garnaut, Baxter and Krueger recommended that a ‘major macro-economic adjustment’ would be necessary. In order to avoid the threat of ‘entrenched stagnation’, this would require, among other measures, ‘an increase in the price of tradable goods relative to labour of around 25 to 30 per cent for adult workers in Port Moresby’ (ibid., 234). Such a target, implying a corresponding kina

devaluation and real wage reductions, was ‘simply not possible to achieve ... under the wage indexation arrangements’. At this time a government submission to the 1983 MWB proposed gradual changes to indexation procedures, to achieve the desired result over an extended period. A more drastic alternative—a ‘sudden approach’—was also canvassed. Requiring shock treatment, the latter would be administered by a substantial ‘one-off’ devaluation. It would also require abandoning or suspending indexation. An overnight reduction of living standards would be imposed on urban formal wage earners, very likely arousing political resistance (*ibid.*, 234–236). Not surprisingly, the gradualist approach prevailed and underlying problems remained. It would take a crisis situation, occurring a decade later, for the stalemate to be broken.

The ‘game-changer’ emerged in 1994 to compel PNG authorities to float the kina, removing the policy settings responsible for the wage/price impasse. These events occurred almost two decades after Garnaut had suggested, with grim foresight, that economic distress might eventually ‘*expand the range of politically feasible policy options*’ (Ch. 28). Armed conflict in Bougainville in 1989 had led to closure of the copper mine and associated disruption of agricultural exports, jointly inflicting a loss of some 15 per cent of GDP and necessitating a 10 per cent kina devaluation (Bank of PNG 2007, 240). In response, an MWB determination in 1992 established a new and substantially lower urban minimum wage for new job entrants, a measure intended to lower average wages over time. The MWB also dispensed with automatic wage indexation, removing the damaging feedback mechanism behind import-induced wage-price spirals. Then in 1994 the kina was allowed to float, after fiscal indiscipline made assignment of the exchange rate to manage domestic inflation no longer feasible. As a result its exchange value declined dramatically to the end of the century, forcing up import prices and imposing substantial effective wage cuts on the urban workforce.

An account of these events (Chand and Yala 2009) gave a rather bleak summation of their impact on the formal economy, suggesting that earlier hesitation had been costly:

‘The labour market was deregulated after unemployment had risen considerably, together with associated social problems of urban squatter settlements and crime ... The abolition of the urban minimum wage in 1992 by the Minimum Wages Board was too late in that conditions for investment had deteriorated so badly that wage deregulation on its own was no longer sufficient to reinvigorate private investment. The wage distortion had contributed significantly to urban unemployment and social instability, raising costs of doing business in the country’ (ibid., 49).

This account will say no more about PNG’s macroeconomic travails. On the other hand, the change in economic environment appeared favourable to the emergence of indigenous micro-entrepreneurs, providing a fillip to informality—what Hart called ‘people’s activities in the places where they live’. Reduced purchasing power of urban workers and higher kina costs of imported wage-goods stimulated demand for domestic production, especially fresh foods in urban markets (Conroy 2000, 216–217). Intermediary processes, reaching increasingly beyond the hinterlands of the old colonial centres, began to create national markets for some commodities, notably root-crop staples and betel nut. For better or worse, the devaluation of the last years of the century offered the prospect that an informal economy serving the consumer needs of low-income urban people might at last become feasible. Meanwhile continuing erosion of subsistence affluence in many rural areas acted to increase its *social* feasibility. This is not to deny gradual progress towards developing domestic markets for agricultural produce in the earlier period after Independence (see, for example, Connell 1997, 71–74). However, the drastic changes

in price ratios after 1994 were of a different order and their effects correspondingly more dramatic.

While producer-sellers remained dominant in Goroka, specialised *kaukau* (sweet potato) traders emerged in Moresby towards the end of the century. Dealers in some other lines of produce were even more advanced. Benediktsson (2002, 218–219) observed that ‘commercial highlands potato³² “exporters” now disposed of much of their shipments by doing the rounds in the suburban markets of Port Moresby and selling bags directly to specialised market traders’. He reserved his highest praise for dealers in *buai* (betel nut) whom he called ‘highlander assembly traders’. These were responsible for ‘the most complex system of intermediary trading’ in Port Moresby and had also introduced intermediation into the Highlands *buai* trade. Benediktsson thought the new intermediaries—in *kaukau*, potatoes and *buai*—symptomatic of ‘a wider change towards “informalisation” in Port Moresby’s economic life’. Informality, ‘long in evidence in neighbouring Indonesian and other Southeast Asian cities, may finally be taking hold, in spite of a politico-economic climate in Papua New Guinea that has until now discouraged rather than assisted it’ (ibid., 218). This was despite the far from complete integration of a national market for *kaukau* due to (among other impediments) limited access of market participants to ‘information about supply, demand and price’ across the country (ibid., 219). But that was before PNG’s twenty-first century mobile phone ‘revolution’, to be discussed below.

Most recently, there is evidence of the continuing leadership role of PNG betel nut traders, both in terms of their elaboration of ‘long-distance and intermediary trading’ and also more general behavioural change in urban marketplaces (Sharp 2019).

³² The ‘potato’ found in European diets, sometimes known in PNG as the ‘Irish potato’.

In the 1960s, Scarlett Epstein had recorded apparent continuity of vending behaviour between Tolai women traders and their nineteenth-century predecessors. By contrast Bradley's description a decade later of Tolai women's *pipiai* and marketplace trade emphasised a new assertiveness and price flexibility among them (Ch. 19). Timothy Sharp suggests such behaviour is now a more general phenomenon. 'Overt competition and haggling, once conspicuous by their near absence, are now commonplace in the country's betel nut marketplaces, and increasingly visible in many of the large urban fresh food marketplaces'. Among other influences, this reflects the 'increasing numbers of people dependent on trade for their livelihood' (*ibid.*, 182).

Sharp refers to the betel nut trade as 'the most visible manifestation of a flourishing informal economy' in contemporary PNG. It is also, not surprisingly, a *hybrid* economy (in the sense that expression is used here; Ch. 5). This is because of the influence among market participants of a particular *moral economy*. Briefly, bulk traders of betel nut feel obligations towards their fellow traders which inhibit the full exercise of what Sharp calls 'overtly competitive market behaviour' among them. This should remind us of Benediktsson's remark (Ch. 1) that 'no social group has ever taken commoditisation to its logical extreme, fully excluding non-economic aspects from economic relations'. Much less restraint is seen in traders' dealings with the *producers* of betel nut, towards whom considerations of moral economy are plainly less applicable.

From a longer time-perspective, revisiting the capital's produce markets in 2009 after an absence of 30 years I was astounded at the increase in quantity, range and quality of fresh produce—an 'efflorescence' of production for market in which the increased relative costs of imported wage-goods had played a catalytic role. These circumstances encouraged me to hope that the Melanesian 'singularity', inhibiting participation in specialised trade and exchange, was becoming less significant among what Hart

called the ‘impediments to growth’ originating ‘in local material and social conditions’ (Ch. 5). In the warp and weft of the cloth of Port Moresby life, informality’s elusive thread was becoming increasingly visible.

A note from the perspective of 2020

Twenty-first century evidence suggests increasing convergence between modes of informality currently practised in PNG and the livelihoods described—in other places and in earlier historical settings—by observers including Mayhew and Bauer (Ch. 3). PNG has a national policy for the informal economy (Conroy 2010a; DCD 2009). Many of the weaknesses this was intended to address are still evident but overall the informal economy has become more resourceful and varied in content. I have long argued that conditions in PNG would eventually support the emergence of an informal economy comparable with that described by Keith Hart in Ghana (Conroy 1974b). But while this has occurred to some extent, changing circumstances have made it more difficult to sustain a narrative of the contemporary PNG labour market in terms of a simple formal/informal duality.

Since Independence (and particularly during the new century) a new group of waged employees has emerged. Working for private sector entities on conditions inferior to those embodied in employment regulations, they have been described as ‘unregulated employees’ (Jones and McGavin 2015). Found most often in retailing and construction, such jobs are often associated with recently arrived Asian entrepreneurs. Some of these employers are formally registered but evade labour regulation. Others are ‘submarines’, submerged so as to avoid scrutiny by taxation and labour authorities. While still numerically small the new category of unregulated employees has something of the character of a *precarariat*, a term usually applied to people with post-industrial livelihoods

(Standing 2011). Their situation is the result of population growth in a context of stagnant job creation in the formal (non-mining) economy and the State's incapacity to enforce workplace registration. In contemporary PNG such livelihoods occupy an intermediate and insecure position, between formal regulated employment and Hart's informality.

Insights into contemporary informality are found in the report of the *National Audit of the Informal Economy 2018* (DFCDR 2019). A few of its findings, and some vignettes drawn from the report and other sources, are presented below to indicate the growing variety and complexity of informality in modern PNG. The Audit report's research was largely confined to *urban* informality and to Hart's 'legitimate' economic activities. Its authors made the claim, difficult to assess, of an annual aggregate value for informal production of K12 billion, equivalent to some 20 per cent of GDP. At the individual level, it found many people regard informality as a more attractive option than wage employment—whether formal or unregulated—because of its potential for higher earnings. Others appreciate receiving daily income, preferring regular cashflow to periodic pay cheques. Mean net earnings per operator were calculated at about three times the regulated minimum wage, although the Audit report cautioned that this income is shared with 'helpers' in a majority of cases.

Informal producers, men and women, were found to have larger discretionary incomes than had been revealed in previous surveys and much of their spending was on other informal goods and services. This pattern of spending, recirculating income within the informal economy and reducing 'leakages' to the formal economy, may have rendered the informal subsystem more robust. Many households were able to maintain some level of savings, though normally in cash rather than bank deposits, while money lending characterised by high defaults and correspondingly high interest rates was a common sideline activity.

Many former formal employees (including some with professional and managerial experience) are now engaged in informal activities. Levels of education in the informal economy have been rising and appear to be, if anything, higher than in the general adult population. A substantial proportion of wage-workers is also ‘moonlighting’ in the informal economy. This latter finding is consistent with Hart’s account of Nima, in Ghana (Ch. 2) where formal employees valued the security of a predictable, even if inadequate, wage income, while taking advantage of informal opportunities as they arose. While earlier surveys in PNG had indicated that women in marketplace trade dominated the urban informal economy, increasing involvement of men is now apparent. This is especially so in more highly capitalised activities emerging in an increasingly diverse informal economy. Greater engagement by family groups rather than individuals is also noticeable (as seen in the reference to ‘unpaid helpers’, above).

Overall findings suggested that, as in informal economies everywhere, many participants resort where possible to multiple sources of income. Some of the more desperate expressions of this are found in and around markets. Pressing their services upon market patrons, young men are available to shift barrow-loads, ‘mind’ parked cars and carry shopping bags for very low returns. They patrol streets and the lines of cars at traffic lights, offering water, betel nut, phone cards, fruit, single cigarettes and trinkets. The latter are often sourced from the Asian stores mentioned above, which appear to be the source of many ‘fake’ goods in the street trade. Such ‘make-work’ tasks provide entry for some young people to the culture and practices of informal economy and, despite offering trivial returns, may introduce them to work disciplines. But young men frequenting the markets are also ready recruits to the mobs which periodically erupt in disorder, imposing economic loss and physical injury on informal workers and the public at large.

Young men may also be recruited to forms of economic criminality. These were excluded from the investigations of the National Audit, although they were catalogued by Hart in his original account of informality in urban Ghana (Ch. 2). At a different level of sophistication (and also excluded from the Audit) were activities conducted by those Hart described as ‘engaged in making (and benefiting from) “illegitimate transfers” involving thieves, larcenists, peculators and embezzlers, confidence tricksters and gamblers’. In twenty-first century PNG such activities have come to include a number of financial scams. These include ‘Ponzi’ schemes such as U-Vistract, which have imposed heavy losses on many of their members (Cox 2018).

Historically, marketplaces such as the *Bung* in Rabaul and Koki in Port Moresby have been the locus of urban informal activity. This remains so in smaller urban centres such as Kundiawa, capital of Simbu Province. Yet the National Audit found that marketplaces in the major urban centres of Port Moresby and Lae have yielded to streets, houses and backyards as the most important locations for informal activity. The Audit suggests that only about 10 per cent of those engaged in informal activities now operate in official marketplaces. Some suburban vendors believe they would be better off financially in the marketplaces, and safer, but shortage of space denies them access. Port Moresby has grown to the point where it now appears to support a more decentralised urban informal economy, with more people earning a living close to their homes and to where their customers live. Small house-front kiosks in some residential areas operate to serve neighbours in relative safety, even at night, despite broader law and order concerns. An interesting case of this ‘suburbanisation’ of informality occurs on Croton Street in Port Moresby, now a centre for footpath auto mechanics (Wenogo 2019). It is located symbiotically close to large formal motor repair workshops and parts suppliers. Such activities amount to the unambiguous monetisation of services previously exchanged

only within settlements and traditional villages, among relatives and neighbours.

Continuing a process recorded in Port Moresby since Hubert Murray's day (Ch. 12), informal settlements continue to expand, with growing professionalisation of informal house-building and extensions, and increasing provision of rental accommodation and sale of shelter and land. Michelle Rooney (2017) has reported on the efforts residents of such settlements make to assure secure occupancy of the land on which their housing stands. Their tenure may be challenged by customary landholders or by government. Other challengers may include private developers (including foreign investors) who have secured leases on government land—sometimes seen as responsible for alleged 'land grabs'.

Among the residents of settlements are some with professional qualifications and formal employment, financially able to construct (or improve) dwellings to a higher standard, and with knowledge, networks and resources superior to those of earlier-generation settlers. Other such 'big people' (as ordinary residents see them) currently hold formal jobs with housing entitlements but hope for access to settlement land upon retirement. Long-established residents, who now have intergenerational families in their settlements, and whose families combine informal livelihoods with formal waged employment, may see either threat or opportunity in these circumstances. *Big people* settlers could be viewed either as competing for scarce settlement land or as bringing with them capacity to mount defences, from which all residents may ultimately benefit, against the threat of dispossession. Resulting from 'a prohibitive combination of inadequate supply of formal housing, financial incapacity, and difficult legal and regulatory processes' (ibid., 113) a complicated political economy emerges from this situation. Its outcome, along with the rapidly changing mix of people from different demographics and ethnicities will determine how far the informal economy will be permitted to

continue performing its historical role of providing, and improving, the shelter of low-income people in urban PNG.

Considerable changes relevant to informal economy have been occurring in the field of mobile telephony. Mobile phones support informal *bisnis*, disseminating information by voice or text about demand and supply of commodities, prices and logistical arrangements. Such informational flows have demonstrated their value in informal trading of betel nut and sweet potato over long distances, and will find wider application in future. Phones themselves are the subject of informal *bisnis*, including their sale, rental and recharge. Other operatives repair handsets and install associated technology, as well as sell credits for phone time.

Prepaid subscriptions, allowing low-income people to buy services on a pay-as-you-go basis, have facilitated the rapid spread of phones. By 2019 there were some 2.8 million active SIM cards in a population of perhaps 8 million (Watson and Park 2019). However, demonstrating the fragility of informal livelihoods, the adoption of smartphones in Port Moresby is disrupting the ‘phone card’ model of informal *bisnis*. Growing numbers of users now ‘top up’ directly by linking with digital bank accounts. Informal sellers, too numerous due to easy entry to the trade, are becoming marginalised. Their trade is now more centred on provincial towns, as in Goroka where the carrier Digicel still ‘relies on vendors ... to distribute airtime credit into the hinterlands where people prefer to buy scratch cards in town for use (or resale) later in the village’ (Foster 2017).

Mobile phones also facilitate and extend financial services in a country with a large majority of ‘unbanked’ citizens. Mibank, a commercial bank, distributes ‘digital wallets’ allowing phone users to top up phone-time, pay bills, receive and transfer money or phone credits, and deposit or withdraw funds from the bank’s branches and agent network. A financial product which suggests the potential for synergies flowing from this connectivity is a

‘micro-leasing’ scheme for home solar (‘off-grid’) energy kits. The coverage of households in PNG by such kits is said to have increased from 2 per cent in 2012, to 60 per cent in 2017, a ‘surge in popularity’ due very largely to mobile phones. The combination of growing phone penetration and low levels of electrification has acted to stimulate purchases of ‘personal-scale’ solar sets, able to charge phones and run small household appliances (Ellsmoor 2019). Rural, decentralised, electrification will offer many opportunities for informal economic activity in the regions, and other changes will offer equally unexpected possibilities. One such instance is a ‘cross-border’ trade in phones, appliances and other commodities, occurring in remote parts of the country.

Informal cross-border trade can become significant where imposed colonial borders cut across traditional trade routes and through natural economic zones. Movement of commodities across borders is often subject to bureaucratic ‘frictions’ impeding formal trade so that informal trade flows—mostly limited to what people can carry—have value in strengthening regional food systems and exploiting resource complementarities.

Such potential exists on the island of New Guinea where informal trade is increasing between Indonesia (Papua province) and PNG (Sandaun Province). Most of this trade occurs in Papua at a marketplace known in PNG as *Batas* (Indonesian for ‘border’) and in Indonesia as *Pasar Skouw* (Skouw market). Located some 50 km west of Vanimo (see Figure 1, p. xxvi), Pasar Skouw is visited by hundreds of PNG citizens on its twice-weekly market days. Small parties of Indonesian border dwellers also cross into PNG, where their modest expenditures assist some local enterprises (Conroy 2020).

PNG visitors to Skouw buy consumer commodities, food, clothing (new and second-hand), home appliances, phones, TVs and other electronic goods, as well as services including printing and sign-writing, from Indonesian traders who speak some *Tok Pisin*

and accept PNG kina. The pull of this market extends further, to the Highlands and Lae. Some returning traders visit Maprik in the Sepik to sell Indonesian electronics to vanilla growers, while vanilla itself is transported to Pasar Skouw or smuggled into Papua through remote crossing points together with artisanal gold, cacao and massoi bark. The latter is an aromatic which has been sourced from the island of New Guinea by ‘Malay’ traders for at least 500 years (Ch. 4).

Local authorities have proposed initiatives, including a ‘trade centre’ at the border, to capture more economic benefit for Sandaun Province. The Asian Development Bank is supportive, but concerned that inadequate border infrastructure impedes mutually-beneficial trade. It has programmed assistance to improve the ‘investment environment’ in the province and to ‘remove infrastructure bottlenecks along the northern transport corridor’ connecting the Sandaun and Papua Provinces (ADB 2009). While the political relationship is always likely to be difficult, potential benefits for rural producers in the remote border regions, and for PNG consumers more generally, justify efforts to facilitate a mutually-advantageous cross-border trading system. PNG traders will learn much from the modes of informality found in an Indonesian *pasar*. There is also some evidence of trade between Western Province (southern border region) and Merauke in Papua, and this might also merit encouragement (Conroy 2020).

This brief account of contemporary change and development in the informal economy is not presented as comprehensive. Overall, however, the informal economy in PNG is still *too small*, not too large. It is too limited in scale, scope and contribution to national output, the productivity of its workers is too low and it continues to include an excessive proportion of what Hart called ‘illegitimate’ goods and services, including outright criminality. Some groups within it display signs of real impoverishment, although traditional social mechanisms continue to lessen

the impact of poverty on many families and individuals. Low-income people need to tap into surpluses generated by growth in PNG's formal mining, commercialised agriculture, financial services, construction and manufacturing sectors. Measures (discussed below) are needed to increase both the productivity of informal labour and the range of goods and services it provides. By such means the 'urban involution' Salisbury feared (Ch. 3) can be avoided. But otherwise, and in the face of continued population growth, the informal economy might function simply as a statistical category, a residual 'sponge' (to use Gerard Ward's expression; Ch. 27) by which growing numbers of landless and other poor are absorbed.

Achieving more equitable sharing of the benefits of resource booms and associated formal economy growth is a major policy challenge. If government could succeed in stimulating broad-based domestic productive activity outside the mineral enclaves this would multiply the benefits of resource extraction. Such a flow-on cannot be taken for granted in PNG because, historically, the formal non-mining economy has demonstrated a poor supply-side response to high commodity prices. Potential for growth has been constrained by factors including crime, expensive and unreliable utilities, deficiencies in transportation infrastructure and public services, regulatory barriers, skill shortages, and land tenure issues (Batten 2008). But what may not have been realised is that the supply response of the *informal* economy also needs to be improved, because it has proved inefficient in receiving and relaying whatever developmental impulses are transmitted by the formal economy. If microeconomic reform is necessary to reduce the costs of formal business and of investment, such reform is also necessary to increase the productivity of *informal* livelihoods. This could lead to their becoming a more dynamic component of the macroeconomy.

Growth of the informal economy may also be considered a necessary step towards the emergence of a class of vigorous

entrepreneurs in the indigenous small and medium enterprise (SME) sector, still pitifully underdeveloped in PNG. This view is found among some advocates for the national SME Policy (DCI 2016), who appear to see the informal economy as merely *instrumental* to SME development. But an international review of informality has taken a more nuanced view. While granting the possibility that some informal enterprises may ‘graduate’ as SMEs, the World Bank has mounted a vigorous defence of informality *per se*. Forms of employment with the highest ‘development payoffs’ are not found *only* in the formal economy. Governments should accept that ‘*informal is normal*’ and that ‘informal jobs can also be *transformational*’ (World Bank 2012, xiii and 38, emphases added). Graduation from informality to SME status will depend instead on the broader economic environment, to which a thriving informal economy contributes.

Coming from a surprising source, these judgements should encourage PNG to reassess the potential within its informal economy. Obstacles to reform often lie in notions of ‘modernisation’ dating from the late colonial period (Ch. 26). Such ideas—which encourage the denigration of informality—still linger among sections of the national bureaucracy, local-level administrations and among elements of the formal economy. On the other hand, supporters of informality may be unduly optimistic in their prescriptions, since there are limits to the effectiveness of ‘pro-informal’ action conducted by governments. The pessimistic lesson from experience in Port Moresby at Independence seemed to be that any progress was due to organic processes, and that notions of ‘formalising the informal’ were most often in vain. Where informality arose it stemmed from forms of popular pushback against the forces of bureaucracy, vested interest and prejudice (Ch 26). This is not to say that government intervention is always antithetic to a flourishing informal economy, but rather that governments need to understand the limits of their influence. Economic informality

is essentially a spontaneous phenomenon and authorities can do little to stimulate it unless the conditions for its growth exist. It is in this context that microeconomic reform has its place. Informal economic activity responds to market incentives and the best course of action is for authorities at all levels to provide a supportive policy and regulatory environment for it.

My proposals for such an environment (Conroy 2010a) were incorporated into the PNG national informal economy policy (DCD 2009). The policy was to be based on two ‘arms’, financial inclusion and the provision of public goods and services appropriate to the needs of an informal economy. Acceptance of informality as an integral element of the broader PNG macroeconomy suggests the need for central economic policy agencies to support its growth and diversification—while remembering the *caveat* that government faces limits to its influence. But only when the informal economy is incorporated into overall economic policy by agencies with the necessary clout will bureaucratic and attitudinal barriers to a flourishing and productive informality be overcome.

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