
Colonial Origins of the Informal Economy on the Gazelle Peninsula

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Abstract

This paper is concerned with the accommodation to the market economy of Tolai people, indigenous to the Gazelle Peninsula in Papua New Guinea and regarded as one of the most prosperous and enterprising groups in the country. 'The market' was introduced to Tolai by German (and later, Australian) colonists from the late nineteenth century. Without pretension to novelty in the historical narrative it asserts the value of viewing these events through the lens of 'informal economy', as constructed by Keith Hart. The paper is a companion piece to another study, concerned with the economic history of Chinese immigrants to Rabaul (Conroy, forthcoming). Starting from the proposition that (unlike the Chinese) the Tolai had no tradition of 'trade as a self-sufficient profession', it considers how they adapted their livelihoods to the colonial economy. In German New Guinea, market economic activity was supposed to be conducted in conformity with the norms of a particular model of Weberian 'rational-legal' bureaucracy, introduced by the *Reich*. In turn, German bureaucratic norms were guided by an ideology of 'national-economic purpose', enunciated for the Wilhelmine state and its colonies. The paper argues that subsequent Australian administrators adopted the German bureaucratic framework, while employing it initially for somewhat different ends and eventually (after World War II) adapting it to the needs of a new ideology of 'economic development'. Across this long period Tolai engagement in the market economy proved to be 'informal', in the sense that it did not conform fully with prescribed bureaucratic norms. It displayed the *hybridity* found wherever Smithian trade (seen as activated by a natural human tendency to 'truck and barter') is confronted by Maussian exchange (seen as the product of socially regulated customs). The paper considers how tensions between German/Australian expectations of Tolai economic behaviour and the reality of that behaviour played out over the colonial period to 1975. At the end of that time, trade as 'a self-sufficient profession' appeared to be confined to some instances of petty specialized trade amid signs of more general emerging change in trading culture.

Keywords

Informal economy, bureaucracy, economic development, German New Guinea, Papua New Guinea, Melanesia, Weber, Hart, Van Leur, Epstein, Salisbury, Bauer

JEL Classification

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1. Prologue

This study is concerned with particular aspects of colonialism in German (later Australian) New Guinea over a time-frame of about a century from the 1870s¹ and is an extract from a larger work-in-progress. The paper is based on a reading of standard sources, without any pretension to novelty in historical narrative. However it asserts the value of viewing the record of European, Chinese and indigenous New Guinean economic activity on the Gazelle Peninsula through the lens of 'informal economy'. The work is inspired by the writer's personal contact with the 'Faber Mission', which in 1972-73 was commissioned by UNDP to prepare a *Report on Development Strategies for Papua New Guinea* on the eve of its Independence (ODG 1973). This 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'. Thus it identified a structural gap in the urban economy of PNG -- the absence of a category of economic activity significant elsewhere in the developing world². The present paper is written with the intention of explaining why this gap had occurred. It deals with the Gazelle Peninsula of East New Britain (and its urban centre Rabaul), probably the most economically advanced and progressive region in the colonial Territory of Papua and New Guinea. Several assumptions on which this paper is based have been the subject of earlier papers and a brief explanation is offered here as an introduction, to assist the reader unfamiliar with that material³.

The idea of an informal economy

Keith Hart, a member of the Faber Mission, constructed his idea of *informality* in relation to notions of bureaucracy. He noted Hegel's belief that 'society ... should be managed by an educated bureaucratic elite in the national interest', and observed that Max Weber had subsequently 'recognized such a synthesis in Germany's historical experience of the nineteenth century alliance between Rhineland capitalists and Prussian bureaucracy' (Hann and Hart 2011, 30). Bureaucracy in an emerging nation state was an essentially positive construct, 'invented as part of a democratic political project to give citizens access to what was theirs by right'. In practice, however, it has often appeared to operate as 'the negation of democracy' (Hart 2006, 23). For example, the emergence of Weberian bureaucracy in colonies was associated with the growth and elaboration of market exchange, but without any necessary democratic engagement of the colonized.

¹ My thanks to Ron Duncan, Bill Stent, Scott MacWilliam, Robin Hide and Ian Hughes who have contributed insights to this work, although they bear no responsibility for the conclusions reached.

² The (then) Territory of Papua and New Guinea was among the earliest countries in which Keith Hart's idea of an 'informal sector' of economic activity (Hart 1971, 1973) was introduced into policy discussion.

³ The suite of papers preceding this study is available online at <http://ssrn.com/author=1789610>

What Hart called the 'prevalent intellectual model' (an economic orthodoxy, specific to a time and place) informs the prescriptions of bureaucracy. Weber's 'rational-legal' model of bureaucracy became an instrument for regulating the growth and elaboration of market exchange associated with the rise of German industrial capitalism (Hann and Hart 2011, 30). By the early twentieth century Colonial Secretary Bernhard Dernburg had enunciated a quite explicit 'mercantilistic' economic ideology, defining a 'national-economic purpose' for Germany's colonies (Conroy 2013b, 4-5). This policy model, serving the interests of the Wilhelmine state, extended also to German New Guinea and underpinned the bureaucratic system established there by the Reich (Ibid., 21-3).

Bureaucracy creates rules to give form to its own activities and to those of whoever, or whatever, is regulated by it. In this way economic activity becomes liable to enumeration, and its status as being enumerated (or not) becomes a crucial marker of its formality (or informality). There are other criteria, emerging from a diversity of empirical circumstances, but in general it is the nature of bureaucratic frameworks and activity (as informed by a dominant economic orthodoxy) which substantially determines the character, and designation, of economic activity as being either formal or informal. Informality challenges bureaucracy by failing to *conform* and informality in economic life is defined in opposition to the formal economy.

The idea of a *lucky place*

Volcanic eruptions aside, the Gazelle was a *lucky place*. The notion of lucky places used here derives from Michael Lipton, who criticized the pioneering development economist Peter Bauer for having proposed a model of economic development based on the latter's experience in West Africa and the Malayan Peninsula. Lipton remarked that, 'Lord Bauer⁴ is a *classical* economist. Enterprise, trade, enlargement of markets: these are the engines of development ... For Bauer, it is the move from subsistence to ever larger markets that counts' (Lipton 1984, 45, emphasis in original). Lipton asserted that Bauer's classically-inspired model was actually 'a special rather than a general case', applicable only in certain 'lucky places'. In Lipton's account, such places were blessed by access to 'the components of the classical growth pattern – initial foreign capital flows, promising and elastic export crop markets, spare land, and people able to finance savings to transform it'. These 'happily typified the countries that formed Lord Bauer's mental set', and some readers may discern in this a more than passing similarity to the view of PNG held by the influential Australian economist E K Fisk⁵. Rabaul was blessed by bountiful resources, as well as possessing other attributes of the 'lucky' place. Lipton's account of the 'classical growth pattern' involved

⁴ Ennobled by Mrs Thatcher, Bauer is nowadays celebrated posthumously by economic libertarians. His early description of the informal economy in colonial West Africa is discussed by Conroy (2012b).

⁵ Fisk's significance for post-World War II economic thought and policy in PNG, and the relationship between his thought and that of Bauer, are discussed by Conroy (2012b).

foreign capital inflows, especially private foreign investment. These were evident in the early colonial development of the Gazelle Peninsula where expatriate plantations and associated services were established and a comparatively high standard of infrastructure installed. Land was available due to an initially favourable population/land balance and German administrators acquiesced in the alienation of significant areas of traditional land by foreign investors. Favourable markets were soon available for staple export crops (beginning with copra in the late nineteenth century and extending to cocoa in the twentieth), while the indigenous *Tolai* people demonstrated an impressive propensity to save for investment in introduced economic activities (Salisbury 1970, Epstein 1968).

The absence of a specialized merchant class

The absence of an urban informal economy in the economic structure of pre-independence PNG is related to the failure of traditional Melanesian societies to throw up a specialized class of merchants. As Ian Hughes said, 'there were no professional traders, no merchants, no itinerant pedlars' (Hughes 1977, 203). The anthropological evidence for the absence of a merchant class was summarized by Thomas Harding, who concluded that 'nowhere in late pre-contact Melanesia ... were there specialists in trading in the sense that their livelihoods rested exclusively on middleman transfers in the absence of local production for export'. This, 'combined with the generalized social structure of trade and universal participation in trading probably explains why *the trader did not emerge as a distinct occupational role in traditional Melanesian society*' (Harding 1994, 118, emphasis added). Melanesians did engage in what Harding called 'retrading', passing on commodities received in trade to third parties. Nowhere, however, did livelihoods depend solely on such middleman activity, for retrading served simply to augment the group's subsistence resources. They 'use trade as a basic mode of subsistence procurement. They are not merchants, they are subsistence traders' (Jim Allen 1985, 50).

An essay by the writer on this subject (Conroy 2013b) counter-posed Adam Smith's view of 'aboriginal' trade as due to a natural human tendency to 'truck and barter' against the Maussian conception of exchange as the product of socially regulated customs, in the manner of *The Gift*. It was argued that both perspectives are necessary for an understanding of the reality of trade and exchange in modern Papua New Guinea, where some degree of *hybridity* is the norm in market transactions. Melanesian exchange differed radically from Asian-style 'peddling', which may be taken as a forerunner of modern informal entrepreneurial behaviour (Conroy 2013a, 2013b). Nor was the peddling phenomenon uniquely Asian. It occurred widely in pre- and early-capitalist societies. For example, it was documented by Henry Mayhew in mid-Victorian London (Conroy 2012a). J C Van Leur, who wrote of the historical role of the travelling peddler in the trade of the Malay Archipelago, asserted that:

‘Trade as a secondary occupation, whether accompanying farming or independent crafts, alongside trade as a self-sufficient profession ... agrarian civilizations such as those of Russia and Java still possessed all this at the time of nineteenth century research ... ’ (Van Leur 1955, 53).

Harding's trade 'as a distinct occupational role' corresponds to Van Leur's trade 'as a self-sufficient profession' ; such trade was practiced by immigrant Chinese on the Gazelle Peninsula. By contrast, the absence of specialized trading functions among Tolai might appear to suggest an incapacity to manage that division of labour between producers and distributors which is evident in the formal market economy. As against that, accounts by early European residents in the Gazelle speak of a vigorous Tolai trading culture. The evidence for this is reviewed below, but sufficient for the moment to suggest that Van Leur's distinction between trade as 'secondary occupation' and as 'self-sufficient profession' is crucial to understanding Tolai trading. If the latter was absent from the Gazelle, the former was certainly not. Tolai traditional trade could be described as (to use Van Leur's words)'a secondary occupation ... accompanying farming'. Utilitarian trade (as distinct from Maussian exchange) served to integrate traditional production and distribution among Tolai sub-populations occupying different ecological niches and having different tastes and productive capacities.

With the arrival of the Germans and 'market' activity, it was relatively straightforward for Tolai to employ their traditional skills in 'secondary' trading and retrading to take advantage of introduced economic opportunities. Given Tolai unfamiliarity with the cultural codes and bureaucratic norms of formal economic activity, informal modes of trading provided their entry-point to 'the market', while a secure base in subsistence agriculture underpinned their livelihoods. What they could *not* do was perform specialized trading functions; this was a gap Chinese immigrants filled at grassroots level, leaving the heights of the formal economy to Europeans (Conroy, forthcoming). In the town, Tolai informal economic activity consisted largely of rural people making day-trips to sell produce in the Rabaul marketplace, for livelihoods divorced from their subsistence base were a step too far for most Tolai before the Great War. Some few who had formal wage employment in the town were exceptions. There was an urban-based informal economy, but this was the domain of Chinese immigrants, not the Tolai (Ibid.).

2. The Germans in Rabaul: colonial economy and bureaucratic state

Intrusion and response

Pre-modern marketplaces on the Gazelle Peninsula have attracted much attention, from the observations of early European residents (e.g., Danks, 1888) to historical reconstructions in comparatively recent times (T S Epstein, 1968; A L Epstein, 1969; Salisbury 1970). None of the accounts of this vigorous trading system falsify the view that pre-modern New Guinea

lacked a specialized occupational class of traders. Further, it is argued here that there is only limited evidence of any such class emerging on the Gazelle during the colonial period.

The writer's earlier review of accounts of trade in the Rabaul hinterland (Conroy 2013b) traversed familiar ground in focussing on ecologically-based specialization and the exchange of traditional produce and some artifacts within the region, conducted through a network of marketplaces in which a shell-money medium of exchange (rendered as *tambu* by the Epsteins and *tabu* by Salisbury) played an important facilitating role. Tolai used *tambu* for many transactions, quotidian and ceremonial, facilitating both utilitarian 'truck and barter' and the Maussian economy of *The Gift*. Debating whether *tambu* might be regarded as 'general purpose' money (a view Scarlett Epstein appears to have held) is less important than accepting that the Tolai need for it cannot be analysed satisfactorily using conventional economic concepts such as, for example, the Keynesian 'transaction demand' and 'asset demand' for money. The latter term is especially problematic. The word 'asset', with its implication of *commodity*, is a pallid and incomplete representation of the qualities with which the Tolai imagination invested *tambu*, although their use of it demonstrated the commonly-described economic attributes of currency (means of exchange, unit of account, store of value).

T S (Scarlett) Epstein's account tends to emphasize these utilitarian uses of *tambu*, consistent perhaps with her view of the Tolai as 'primitive capitalists'. Others accept that the value Tolai perceived as stored in *tambu* was less material than a matter of the potential for power, prestige and influence accruing to its holder, and its importance for securing his happiness in the afterlife (AL Epstein, *Ibid.*, 230-31). By Richard Salisbury's account, Tolai believed that

'the use of *tabu* is a keystone to preserving a distinct Tolai identity. They encourage people to acquire cash to buy material comforts, but they all recognize that only *tabu* can maintain the fabric of social relationships. Only *tabu* can give people power' (op. cit., 278).

Nonetheless, material considerations were important to the Tolai. Albert Hahl, later to become Governor of the colony, landed on the Gazelle at Herbertshöhe (modern Kokopo) in 1896. In *New Guinea under the Germans* Stewart Firth described how impressed Hahl had been by the 'vigour' with which Tolai traders responded to the presence of the colonists:

'The inland villagers supplied Queen Emma's plantation with all its yams and taro, staple foods for the labourers; on the beach near Kokopo people went from house to house every third day offering garden produce for sale; at Takabur, inland from Kokopo, he saw about 400 women with laden baskets in the market-place and was told of other large markets further south ... Hahl wanted to encourage such trading and within weeks of his arrival was planning a network of roads to open up the Gazelle Peninsula' (Firth 1983, 62).

Bill Epstein saw in the vigorous Tolai response to the introduced economy a 'pre-disposition' which marked them out from other New Guineans:

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

Richard Salisbury may be regarded as a precursor of Keith Hart, for he glimpsed something of the idea of an informal economy in his studies of the Siane and Tolai peoples of New Guinea (Conroy 2012a). Colin Clark had provided an empirical basis for the well-known generalization concerning the tendency for services to become increasingly important during the course of economic development (Clark 1940; Conroy, op. cit., 20-21). Following Clark, Salisbury came to the view that service, or tertiary, activities could play a leading role in the transition from subsistence agriculture to market exchange. The introduction of the steel axe to the Siane and Tolai -- both groups 'affluent' in terms of land -- released labour-time, especially that of men. This precipitated an efflorescence of ceremonial exchange accompanied by 'political consolidation'. The latter process caused larger social groupings to coalesce under emergent leaders exercising more effective political control, leading in turn to 'organizational innovation' and 'the development of new consumer demands'. Increasing levels of political activity, combined with capacity to make decisions at local level, produced in these societies a socially-beneficial consolidation of political authority, from which further economic progress could flow. Consolidation was associated with a shift of labour-time, especially among men, to leisure and service activities (Salisbury 1970, 10-11). This occurred in a sequence of 'stages':

'one had followed the introduction by traders in the 1870's of a market for surplus coconuts. Another had followed the deliberate planting by Tolai of coconuts for the market beginning in the 1890's. A third had begun with the introduction of hot-air copra dryers in the late 1930's, but had not been completed until after the Second World War, and a fourth had involved the development of cocoa growing and mechanized processing in the late 1950's' (Salisbury op. cit., 13).

During the 1960s 'stages' theories of development enjoyed a return to popularity, no doubt as a consequence of the appearance of Rostow's influential *Stages of Economic Growth*. Colin Clark's earlier account of structural change and the rise of services (which greatly influenced Salisbury) is amenable to a stages presentation, while Rolf Gerritsen (1979, 17ff) pointed out that this was also true of Fisk's model of the transition from subsistence. Scarlett Epstein had devised such a framework (a sequence of 'phases') for her description of Tolai economic and social change, while Salisbury's model required, as we have seen, 'a succession of technological changes, each one associated with a political change'. These triggered transfers of labour-time from agriculture to service activities. Many such activities were of a communal nature, involving the creation of social capital and public goods in village communities, and were made possible by Tolai 'self-sufficiency in food supplies'. But Salisbury also showed Tolai responding to opportunities for private profit (through what is

called here 'secondary trade') in a manner prefigured by the vigorous trade Hahl had witnessed at Kokopo in 1896. Through such responses, there emerged during the twentieth century what we may now see as an informal market economy in the rural hinterland of Rabaul (and which was recognized as such by the Faber Mission). Salisbury viewed this as a positive development made possible by the subsistence wealth of the underlying Tolai agricultural economy. But in addition, Salisbury was prescient in foreseeing the possibility of what (following Clifford Geertz and Benjamin Higgins) he called an urban *involution of services* -- in other words, an *urban* informal economy (Salisbury 1971; Conroy 2012a, 33-4).

German national-economic purpose and Tolai pushback

As background to Salisbury's discussion of the stages of Tolai economic progress, it is necessary to understand how colonial policy was formulated and applied in German New Guinea. Bernhard Dernburg's 1907 statement of the 'national-economic purpose' of German colonial policy (Conroy 2013b, 4-5) required 'an exchange of goods and men for culture and civilization', whose goal was 'the acquisition and development of raw materials'. In the case of New Guinea this meant copra, for the manufacture of vegetable oil. Governor Hahl thought that 'any real development of the country would be possible only if, following the example of other colonies, German New Guinea succeeded in bringing the natives under a well-regulated system of administration and encouraging them to work for the good of the country and thereby for their own good' (Hahl 1980, 10). Dernburg's 'scientific colonialism' allowed for production by indigenous 'peasants' as well as foreign plantations (Firth 1983, 89) but where (as in New Guinea) the latter mode was preferred, the national-economic purpose required the wholesale recruitment of indigenous labour.

Plantation workers were employed under contract subject to labour regulations, and for many New Guineans this was their first encounter with colonial bureaucracy. Their recruitment involved varying degrees of suasion, to the point of *de facto* compulsion. Described by Hahl as being 'for their own good', such procedures were rationalized by Dernburg as 'impart[ing] pleasure in work and gainful activity' to the colonized (Cited by Moses 1969, 53). The recruitment process was concluded formally by the signing of indentures, a procedure known in Melanesian Pidgin as *mekim pepa*. Binding contractual agreement by indentured workers to produce copra far from home on foreign-owned plantations may be regarded as the *formal* compliance of a subdued population with the will of colonial bureaucracy.

After the commencement of recruitment the Tolai, who had initially allowed some young men to go away, became increasingly unwilling to make their labour available. This was an early instance of what was to become a pattern -- Tolai reluctance to comply with unwelcome requirements of the bureaucratic state or to conform with the culture engendered by it. A head tax was imposed in 1907 to make them comply, but when Hahl raised the matter at a meeting with Tolai elders he was told

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

The Tolai were, in Salisbury's terms, engaged in their second stage of accommodation to commercial agriculture, that of establishing their own copra smallholdings. Increasingly, it was left to other less 'lucky' places to supply labour, as recruiters roamed ever further afield. By contrast, the collection of fallen coconuts and (from the 1890s) the planting of palms and processing of copra by stay-at-home Tolai smallholders were *informal* responses to -- the repudiation of -- early German attempts to impose a bureaucratic model of formal indentured employment upon them. Although Hahl's initial encouragement of what he called Tolai 'private agriculture' was broadly consistent with Dernburgian principles, it nonetheless worked against the primary goal of recruiting Tolai labour. The Annual Report for 1910-11 had canvassed the idea of agricultural extension to increase productivity on native smallholdings, but noted that 'certain difficulties would arise in that European enterprises are anxious to secure the young men for themselves and for their businesses, while the regular cultivation of their own land would make the people more than ever inclined to remain at home' [cited by Rowley (1958, 242-43)]

Tolai were fortunate at the time in benefiting from Lipton's 'promising and elastic export markets'; foreign copra traders competed to buy unprocessed coconuts from them. Early armed conflict between Tolai and settlers, which left the former bruised and the latter aware of a Tolai capacity for bloody resistance, suggested to German administrators the wisdom of accepting the Gazelle natives as 'peasant proprietors' while not pressing labour recruitment upon them. Some Tolai might be induced to accept plantation day-labour, while much later (after the Pacific war) prosperous Tolai agriculturalists would themselves become employers of labour. These would largely be workers from elsewhere in New Guinea, originally recruited to the Gazelle on indenture. Such arrangements would not be contracted in accordance with formal government ordinances, however, for Tolai labour-hire, like their production of copra, would be informal in character.

With the Tolai no longer seen as a labour reserve, from the early twentieth century the goal of bureaucratic activity on the Gazelle would become the maximization of opportunity for European traders and planters in their dealings with independent Tolai producers, who were also to be cultivated as consumers. Tolai producers would be required to comply with a regulatory regime designed to achieve certain objectives, as links in a copra supply chain leading to the German trading houses which dominated the formal economy. Tolai earnings would in turn be recycled to those same houses by persuading them to embrace new forms of consumption. But Tolai pushback against this set of arrangements threw up many instances of informal economic behaviour, since their responses often failed to meet German expectations. In this situation German New Guinea's Chinese community was an important influence, for they frequently cooperated with Tolai in ways calculated to avoid

bureaucratic constraints. The circumstances of Chinese settlers, who had been allocated their own place in the German colonial design, are of such interest for the study of colonial informality that they will be considered separately and at length (Conroy, forthcoming).

Keith Hart's pioneering account of informality dealt with economic life in a 1960s urban slum in Accra, capital of early-independent Ghana (Hart 1973; Conroy 2012a). He distinguished between 'legitimate' and 'illegitimate' informal activities, with the notion of 'legitimacy' being 'derived essentially from Ghana's laws ... coincid[ing] with the morality of "respectable" Ghanaians' (Ibid., 5), while the 'illegitimate' was illegal in terms of the criminal and civil codes. In Rabaul in the German period respectability resided in the small population of colonial officials, planters and traders whose regulations and bureaucratic culture set standards for economic activity, and much else besides. Rabaul society was stratified by race and the town was zoned in ethnic quarters, with 'illegitimate' activity quarantined largely within its Chinatown (Conroy, forthcoming). An observer remarked that 'Europeans are the rulers, the teachers, the planters, and the wholesale vendors; the Asiatics are the artisans and the retail vendors; and the *Kanakas* primitive agriculturalists, from whose midst are drawn the lowly labourer, the plantation hand, domestic servant, and cheap sailor' (Lyng n.d.,69).

Racial separation was maintained after working hours, and among the Germans status distinctions were observed scrupulously. These operated according to the seniority of officials, and as between the official and mercantile classes, each fraternizing in its own club. Charles Rowley (1958, 55) wrote of the settler and business communities as having had 'closely-knit interests', and as being able to speak 'with one voice not only to the local administration but also to the Imperial government', while another historian spoke of an energetic 'pan-German settler clique' exerting pressure on Hahl in the pre-war period (Hempenstall 1978, 160-61). Missionary interests had their own lines of communication to the Governor and to Berlin, as did the small Japanese community whose home government was well aware of its importance for German *weltpolitik*. The much larger Chinese community, many of whose members had arrived initially as indentured labourers, enjoyed no such support.

In this insignificant German tropical town there had emerged, along with a local politics, the elements of a Weberian bureaucracy dedicated to and informed by Dernburg's national-economic purpose. Hempenstall (loc. cit.) commented that 'the prosperity of New Guinea lay in creating an ordered existence ... [for] New Guinea life and thought must be assimilated to that of the German people if the Reich's national ends were not to be subverted'. He added that 'with this in mind, it is easier to understand Hahl's assumption that violence was a natural and inevitable part of the colonising process'. German New Guinea was a colonial extension of Wilhelmine 'national capitalism', that

'synthesis of the nation state and industrial capitalism: the institutional attempt to manage money, markets and accumulation through central bureaucracy within a community of national citizens that is supposed to share a common culture' (Hann and Hart 2011, 30).

The 'institutional attempt' to secure a national-economic set of goals requires a citizenry institutionalized to those goals and broadly accepting the associated bureaucratic norms. To the extent its people do indeed share a common culture, the modern nation state may be more or less successful in achieving such goals, though Hart's formulation ('supposed to share') suggests his reservations. Scepticism is even more understandable in the case of a colony. There the institutionalization to state goals of alien and subject peoples (Tolai and Chinese, in Rabaul's case) is underpinned by coercion. Western bureaucratic norms have little precedent and the suggestion of a culture shared with the colonial master is fanciful, at least until the appearance of an educated bourgeoisie and even then embracing only a small minority. Where people are (in Hart's terms) only 'partially institutionalized' to the economic orthodoxy of the state, their economic behaviour will display 'palpable discrepancies' in relation to the 'prevalent intellectual model' (Hart 2007). This is the field on which economic informality is played out, whether in an obscure German colonial dependency, a twenty-first century socialist regime, or a post-industrial North Atlantic economy. In each such case the systematically observable phenomenon of economic informality will be found to reside (Conroy 2013d).

A currency war?

The beginnings of informality on the Gazelle might be observed, as suggested above, in an early Tolai preference for independent and informal production, rather than the colonial norm of formal plantation indenture. Somewhat later, German efforts to substitute coinage for *tambu*, the traditional Tolai shell money, also stimulated informality. While it is an exaggeration, a formalist conceit, to claim that in the early period Tolai engaged in a currency war with the Germans, it is nonetheless true that for some years from 1887, when the *Neu Guinea Kompagnie* first circulated the silver mark coin in German New Guinea, two rival 'currencies' contended on the Gazelle Peninsula. The *Kompagnie* had begun accepting payment for taxes and fines in *tambu* as early as 1884 and from 1899 the Administration found it necessary on the Gazelle to pay Tolai in shell money to induce them to work on the roads (T S Epstein 1968, 35-6). It also became evident that in exchange for coconuts the Tolai preferred *tambu*, rather than either the official coinage or trade-store goods (demand for the latter having become satiated, with their increasing familiarity) (Salisbury 1970, 284-5). Tolai preferred to hoard *tambu* for traditional reasons rather than (as was possible in many trade stores) exchange it for imported goods. As Bill Epstein put it, this acted as 'a dampener on trade' (1969, 22). Further, as international demand for vegetable oils grew towards the end of the century, the terms of trade shifted so decisively in their favour that

Tolai were able 'to *insist* on payment in their own shell-money' (Ibid.,21, emphasis added). As Stewart Firth explained, not without some admiration,

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

Much of the shell Tolai earned disappeared from circulation into traditional stockpiles and a shortage of *tambu* hampered copra trading. Tolai rejected a German attempt to substitute an *ersatz* alternative and some traders were forced either to finance Tolai shell collecting expeditions or voyage to the source themselves (T S Epstein 1968, 35). Although more *tambu* was produced, supply was relatively inelastic while the demand for copra by traders continued to rise rapidly, so that for a brief period at end-century the exchange value of *tambu* appreciated dramatically against the mark (Salisbury, loc. cit.). Differential access to *tambu*, with some remote European island traders and (it was said) the Chinese having an advantage over the major trading houses, led to pressure on the authorities for action. It was also thought that Tolai would consume more trade goods if they were paid in cash. Richard Salisbury asserted that 'Tolai control of the money supply was intolerable to the German administration, for it meant that profits went to natives rather than to planters' (Ibid.)⁶. In response, German ordinances forbade use of *tambu* in trade with Europeans from 1901, although due to a drafting error this may not have applied to Chinese (Cahill 2012, 41). The measure was not wholly successful; *tambu* continued to change hands in covert, that is, *informal*, trade although the value of the mark did recover over time as more copra was traded for cash. This prompted Salisbury to claim that 'in the first tussle between Tolai and German financiers the Germans won, but only at the cost of repressive political action' (Salisbury, loc. cit.). Forty years later, in an echo of this episode and perhaps for similar reasons, Japanese occupation authorities destroyed much of the *tambu* wealth of coastal Tolai, employing even more repressive measures (A L Epstein 1969, 32).

Salisbury's assertion of 'war' may be dismissed as formalist exuberance, although it does capture something of the difficulty the Reich experienced in 'institutionalizing' Tolai to the formal market economy and the use of a government-issued legal tender. The episode demonstrates how the *partial* institutionalization of a group to 'the system' may induce informality (with Tolai first frustrating German designs by continuing to trade covertly in *tambu*, and later, as we shall see, by hoarding silver). Similarly, the head tax of 1907 was supposed to force Tolai into formal contract labour, but instead propelled them further along the path of independent (and informal) smallholder production.

⁶ Conversely, during the 1930s Australians airlifted unprecedented quantities of the particular shells valued by Highlanders into Goroka. This elastic supply induced a price inflation, debauching the shell money 'currency' and shifting the terms of trade to the benefit of outsiders and some well-positioned Gorokans (Hughes 1978).

Tolai informal economy before the Great War

Although German authorities had anticipated greater use of coinage would induce increased Tolai consumption spending, Tolai acculturation to new forms of consumption proved slow. Perhaps the assumption had been that Tolai would not hoard cash as they did *tambu*. But the Tolai *did* hoard cash, as suggested by occasions when Tolai groups produced impressive quantities of silver marks for communal purposes, such as church-building. Indeed German New Guinea suffered a perennial shortage of specie, forcing the Administration to maintain the volume of coinage in circulation by annual imports of silver (for example, half a million marks as late as 1910-11) (Rowley 1958, 55). While some portion of this was due to an overall increase in transactions, hoarding seems also to have played a part. After a period of initial enthusiasm for Western commodities, Tolai spending on imports had stalled towards the end of the century and increasing cash incomes after 1901 did not translate immediately into higher demand. This stasis suggests that the Tolai were no more malleable in serving the national-economic purpose as consumers than they were as producers.

The situation had changed by the end of the German period, however, as Tolai came to appreciate a wider range of commodities. For example, Scarlett Epstein (1968, 41) calculated a more than three-fold increase in Tolai purchases of clothes and textiles between 1905 and 1913, and in 1914 an Australian military officer commented on the success of Chinese trade stores, observing of the Tolai that 'he likes his tobacco, he enjoys tin-meat, he glories in European clothes, puts a keen value on umbrellas, mouth-organs, lanterns, and the hundred and one knick-knacks he sees a white man has' (Lyng 1914, cited by Epstein 1969, 23).

Further discussion of German attempts at bureaucratic control of trade between 1907 and the outbreak of the Great War will be postponed to another paper dealing with the Chinese (Conroy, forthcoming). This is appropriate because the primary goal of much regulatory effort was to formalize (and thereby to contain) burgeoning Chinese economic activity in favour of European commercial interests. Tolai were affected by these processes insofar as many colluded with Chinese traders to avoid mutually-irksome bureaucratic constraints. An instance which illustrates both incipient Tolai enterprise and their relationship with Chinese traders concerns the initiative, beginning around 1900, to use *tambu* to purchase planked boats from the entrepreneur and ship-builder Ah Tam. These were for travel to the source of *tambu* shell, cutting out middlemen from the Duke of York Islands. Boat purchases continued even after the use of *tambu* in trade with natives was prohibited, and in 1961 elderly Tolai boasted to Salisbury how they had kept Ah Tam in business, 'giving him an advantage in other trade' by supplying him with *tambu* (Salisbury 1970, 286).

By the outbreak of war and the Australian invasion of German New Guinea, Tolai engagement with the market economy included both the production and processing of copra as well as various forms of service activity and some self-employment and wage labour. This marked an increase in the scope and scale of Tolai commercial activity since the early foodstuffs trade around Kokopo and the sale of unprocessed nuts to itinerant traders

in the latter part of the nineteenth century. Scarlett Epstein calculated that by 1913 native production of copra in the Bismarck Archipelago totalled 5,000 tons, more than 80 per cent by Tolai, while from 1896 to 1913 the per capita value of Tolai copra output had almost quadrupled, from 7 shillings to £1/7/- (a period during which, as we have seen, Tolai spending on consumer goods increased rapidly) (Epstein 1968, 40-41). Salisbury (*loc. cit.*, 242) reported a variety of new Tolai ventures, including the planting of pineapples for sale to visiting ships and the emergence of middleman traders who bought chickens for resale to Europeans. There is no evidence, however, that such activities were anything other than 'secondary trade', or that any individuals had abandoned the security of an economic base in the subsistence sector in favour of specialized trading.

In addition to some general increase in consumption of imported goods, there was evidence of individuals enjoying notable economic success. In the coastal village of Vunamami, 'around 1910 rich men began buying horses and buggies for use on the extensive system of roads radiating from Kokopo'; such men had built houses with metal roofs as well. Whether or not the buggies were used for trade, the fact indicates accumulation and some wealth, as do the roofs (and European-style houses), which also suggest the emergence of carpentry skills. Salisbury reported the expansion of Tolai house-building and church construction during the war period as evidence that already 'many Tolai had invested in tool kits and were in business on their own account' (*Ibid.*, 243). Also during the pre-war period the volume of foodstuffs produced for market exchange continued to increase, to meet the needs of a growing plantation labour force recruited from other parts of the colony, while an informal marketplace in Rabaul had become an important source of supply for the town, with its European, Chinese and non-Tolai native populations. Some peri-urban villagers of Matupit had become associated with the urban economy through various forms of 'off-farm' employment (ship-building, stevedoring, ships services, and domestic service) as well as vending garden produce and fish at Rabaul market and door-to-door to Europeans in the town. This was the state of Tolai engagement with the market economy by 1914. The emergence of rural informal economic activity was apparent, extending into the urban area on market days, with some inequality in access to benefits as between emerging Tolai entrepreneurs and their fellow villagers, and between coastal and peri-urban communities and more remote villages in the interior.

3. The Australians in New Guinea: continuity and change

Just the same as before?

A bureaucratic culture, animated by an economic orthodoxy of national-economic purpose, had been institutionalized in German New Guinea (at least among Europeans, though imperfectly among the subject peoples). This culture provided the model of behaviour against which economic informality was definable in the colony. The historical record suggests that it remained influential after the ouster of the Germans in 1914 and the advent of an Australian administration. While the invaders were to adopt a new, Australian, national purpose, the inherited bureaucratic culture could quite readily be mobilized in its support. An anecdote may serve to convey the flavour of the transition which occurred with the arrival of ANMEF (the Australian Naval and Military Expeditionary Force). At the time of the takeover many desertions from plantations occurred, the labourers evidently believing that their contracts were no longer binding. They were soon disabused of this notion, however, for 'the new colonial masters went to considerable trouble explaining to the runaways that, although the Germans were no longer in control of the administration, "the situation was just the same as before". It was the old colonial order under new management' (Firth 1983, 2).

Charles Rowley, historian of the period, recorded that the Australian Commander, Holmes, had only 'vague' instructions from his government. 'He was to seize and occupy. The task then was to maintain a colonial asset in good working order, with an eye to international law' (Rowley 1958, 3). Australia's international obligations would be defined more specifically in 1921, when it accepted League of Nations Mandate responsibility for the former German colony. Until then ANMEF was guided by a rather sketchy and evolving Australian policy and by 'terms of capitulation' agreed with the Germans. The evidence nonetheless suggests that there emerged an essential continuity of policy and practice across this period, underpinned by a Australian nationalist economic agenda:

'policy statements, legislation and known practice indicate that up to the Australian occupation, towards the end of 1914, the German administration put the emphasis quite heavily on economic expediency. Australian policy statements and legislation suggest that German practices were retained in the Territory of New Guinea under the Australian military administration. And ... there is evidence that the practice during most of the Mandate period was at least as heavily weighted in the interests of profit-seekers as it had been in German times: and the protection perhaps less effectively exercised' (Rowley 1965, 90-91).

For present purposes continuity of objectives is less important than the extent to which the particular bureaucratic culture, in response to which forms of informal economic activity had begun to appear, was maintained under Australian rule. Holmes noted that it was necessary 'to carry out my mission with as little damage as possible, and with as little interference with existing customs and methods of administration, and with trade and

commerce ...'. He concentrated on restoring the supply chains for copra and for the supplies and trade goods necessary to maintain economic life (cited by Rowley, *ibid.*, 5). An American observer in Australian New Guinea before the Pacific War, Stephen Reed, noted that the Australians 'had among them no experts in any phase of tropical colonization, and even lacked experienced German interpreters'. The Australian Command ('wisely', in his opinion) 'wrote into the Treaty of Capitulation special terms to guarantee the greatest possible continuity in administration'. One clause stated that 'local laws and customs were to remain in force, in so far as they were not inconsistent with the military situation'. German civil officials were to act in an 'advisory' capacity to the Administration (having taken an oath of neutrality). German planters were able to continue working their holdings and many increased their plantings over the period of military government, whether because of confidence in an ultimate German victory, or perhaps the belief (mistaken, as it turned out) that any peace settlement would protect their interests. These measures were necessary because 'a motley assortment of [Australian] naval and military men was totally unprepared to cope with an unknown system of controlling a numerous and volatile native population'. As a result 'the military regime swung into action under the tutelage of those German officials who chose to remain', while 'clearing and planting activities were again resumed' under the direction of the planters, many of them German. The Administration gave priority to maintaining the economic value of its new territory (Reed 1943, 157-58).

As early as the departure of Holmes from Rabaul in 1915, 'certain lines of policy had been developed ... it was German law and administrative procedure which would form the pattern on which order would be re-established and German law and custom, with the emphasis where German businessmen and untrained Australian army officers thought it ought to be, became generally recognized' (Rowley 1958, 11). When ANMEF administration yielded to civil control in 1921, 'the Commonwealth was more interested in seizing control of German assets than in the type of administration to be set up'. But as it happened, 'a substantial number of army officers and men carried on as before. Others, appointed to the civil administration permanently, became civilians. There was no real break between occupation and mandate administrations' (*Ibid.*, 33). Stephen Reed observed that, 'in the sphere of native administration, the period from 1914 to 1921 saw few new European innovations or adjustments' as the Australians 'exerted their strength to preserve the social order built up by the Germans' (*op. cit.*, 160). While a recognizably Germanic bureaucratic culture was maintained, Dernburgian colonial objectives were succeeded by an Australian design for expropriation. German mercantile assets would fall cheaply into Australian corporate hands. Settlement of ex-servicemen on German plantations would achieve a politically popular distribution of the spoils while assuring the Australian character of this new possession, as a buffer against military threats to mainland Australia.

The experience of stagnation

From his reading of Colin Clark and with a nod to Walt Rostow, Salisbury (1970) had posited a series of 'stages' of Tolai economic and social change on the Gazelle Peninsula. These defined a relatively benign accommodation by the Tolai to the market economy. At the time of the Australian invasion in 1914 they were experiencing Salisbury's second stage, involving investment in coconut plantings for the international market, together with the emergence of service and off-farm economic activities (described here as rural market informality and conducted as 'secondary trade'). By the 1960s, when Salisbury completed his study, he described the Tolai as undergoing a fourth stage, marking further enlargement of their 'service-driven' local economy. Later, he speculated about the chances of their achieving further progress in the face of population growth. This would require them to continue adopting technological improvements and managing further political consolidation, thereby supporting the elaboration of socially-beneficial service activities (Salisbury 1971). But alongside this optimistic projection Salisbury also considered a less benign set of possibilities. Economic stagnation might occur in the Tolai heartland, perhaps because of population growth, natural disaster, political regression or the failure to identify and capitalize on new technologies. Such reverses could lead to rural distress, impelling rural-urban migration and the emergence of an 'involution of services' in Rabaul (Conroy 2012a). This, as we now recognize, would have been an impoverished *urban* informal economy.

Salisbury (1970) asserted that just such a period of stagnation had threatened the Tolai between 1921 and 1935. To explain this malaise, it is necessary to recall that before the Australian takeover Rabaul had been central to German operations in the Pacific. Close to major shipping routes, it was a strategic base and coaling port for the Imperial Navy's East Asia Squadron, located in China at Tsingtao (*Qingdao*). The Norddeutscher Lloyd line had been subsidized by the Reich to maintain inter-island and international services around Rabaul as a hub, and most of the trade of the region passed through its harbour. With the coming of the Australians these arrangements ceased. Rabaul was reduced to the status of 'a terminal port with an inter-island connection', served by carriers without benefit of subsidies (A L Epstein 1969, 26). While this imposed additional costs on traders, the war period nonetheless saw generally rising volumes and prices for copra. However, reflecting the character of Australian administration, this occurred in a regulatory environment tilted increasingly towards the interests of formal (especially corporate) copra traders and against those of their Chinese competitors and the Tolai, who dealt with the Chinese.

Cost pressures on the copra industry increased further after 1920 when protectionist provisions of the Australian Navigation Act were applied to the Mandated Territory (as well as to Papua). This coincided with a post-war slump in prices and a period of disrupted production on German-owned plantations as these were being expropriated. After protest, the amendments to the Act were repealed in 1925 but in the interim Australian carriers had become entrenched. Meanwhile regulation of copra buying and trade store operations to favour European interests had intensified (Conroy, forthcoming). In a situation mirrored

around the Gazelle, by 1922 the coastal village of Vunamami, with prices for its copra and consumer goods regulated and independent copra-buyers excluded, 'had become a captive labour force for the plantation' (Salisbury 1970, 124). Whether or not actually employed by adjacent plantations, Tolai were increasingly bound to them.

These circumstances, affecting indigenous communities throughout the Gazelle, ushered in a period of stasis during which 'increasingly direct administration from Australia and a lack of technological innovation brought Tolai society into *an incipient phase of involution*. Both technological and political change were needed to reverse the process' (Salisbury 1971, 65n, emphasis added; see also Conroy 2012a, 34). Stasis was prolonged by the onset of the Great Depression, and the Tolai were not the only parties affected. The growth of immigrant Chinese economic interests stalled due to a combination of discriminatory regulation (Conroy, forthcoming) and increasing market power of the major Australian conglomerates, Burns Philp and Carpenters. Due to low prices, rising freight costs and accumulated debt many small independent European planters were bankrupted and their plantations fell into the hands of the conglomerates, which combined shipping, trading and planting.

The Australian Administration had no coherent policy for native agriculture in the inter-war period, although it established a Native Agricultural School at Kerevat in the late 1920s and conducted some agricultural extension. Formal copra production on plantations increased as the considerable plantings of the war and early post-war periods came to maturity. The demand for labour rose correspondingly, while Tolai smallholder production diminished in relative terms, making their interests of less consequence politically. Government also contributed to stasis in Tolai communities until the mid-1930s by failing to take any initiatives encouraging representative bodies or communal action at local level (an absence of Salisbury's 'political consolidation'). Some signs of positive change appeared from 1937, with recovery in copra prices and the formation by the Administration of a few 'non-statutory village councils' around Rabaul (Fenbury 1978). The Pacific war put an end to this experiment and formal local government on the Gazelle had to wait until the 1950s. At the unofficial level, however, Tolai political energies began to revive with the emergence of *kivung* (young men's organizations) from the mid-1930s. In various manifestations these would contribute to political ferment in the post-war period.

A rural-urban system emerging

More positively, the inter-war period was marked by greater Tolai engagement in non-agricultural employment and other modes of engagement with the cash economy, described by Bill Epstein as a 'pattern of relations which the Tolai had been developing with the wider society since early contact'. This they managed without becoming dependent on that economy, by maintaining a secure base in the subsistence sector. Tolai were prepared to accept semi-skilled jobs and some travelled to the Wau-Bulolo goldfields and other centres of formal employment, while the indentured labour force of the Gazelle was

overwhelmingly drawn from less 'lucky' places. In Rabaul itself, Tolai from Matupit showed 'a clear preference for "free" casual employment as domestic servants, boat-boys and laundrymen'. Epstein recorded that at this time there were four copra-driers in the village, and a Matupi entrepreneur was advertising firewood for sale in the *Rabaul Times*. He paraphrased a somewhat rueful discussion of Tolai workers in that journal in 1936, a time when copra prices were recovering after the difficulties of the Depression and labour supply posed a critical problem for the formal copra sector: 'loss of or dismissal from employment held no terrors for the Tolai because every one was a landed proprietor'. As he commented:

'It was, in a sense, the Tolai who were exploiting Rabaul: they used it as a source of employment for augmenting their cash income from time to time, and for the other advantages and diversions the township offered, but they were not integrated into an urban system. Continuing to live in their own hamlets and settlements, and growing increasingly prosperous from the produce of the soil, they were able to retain a considerable measure of their economic and social independence' (A L Epstein 1969, 29-30).

If not actually 'integrated into an urban system', Tolai were certainly developing an active set of rural-urban economic and social relationships, in which the Rabaul town market and nearby Chinese shops played an important role as meeting place. These relationships would come to define the character of their informal economy after the Pacific War. In the late pre-war period the change was signalled by Tolai shaking off the unofficial but pervasive culture of discouragement engendered by Australian rule, the feeling 'that business enterprises by New Guineans were forbidden' (Salisbury 1970, 243). As Bill Epstein recounted:

'Some Tolai now began to invest in the erection of their own copra-driers and in cars and trucks, and a few even to experiment with other crops such as cocoa. At the same time, the pattern of wants also appears to have become more sophisticated. In the settlements around Rabaul many Tolai were beginning to build permanent European-type houses and to furnish them in the modern style ... [as well as] chartering cars ... Communication between Tolai settlements had become both easy and frequent, and their former isolation was now a thing of the past' (Epstein 1969, 31) .

This positive phase of development, corresponding to the start of Salisbury's third stage of Tolai accommodation to the market economy, was abruptly interrupted in January 1942 when the Pacific War came to Rabaul. Japanese invasion converted the Gazelle into a vast military base, the Australian population and Administration having essentially abandoned the Tolai to their fate. Military occupation caused the population, Chinese as well as Tolai, much suffering and loss of life as Allied bombing inflicted enormous damage on the town, infrastructure and plantations. Tolai coconut plantings and food gardens were severely affected. As Allied forces struck back their 'island-hopping' military strategy isolated Rabaul for more than two years, cutting off Japanese supplies. Tolai suffering was multiplied as a trapped Japanese garrison plundered their food gardens until the surrender in August 1945.

4. Reconstruction and the seeds of post-war growth

Revival and renewal

Rabaul and its hinterland were once again under Australian military government. Physical evidence of old German Rabaul had substantially vanished and as late as 1950 the town was described as 'a depressing dusty sprawl of salvage yards, Japanese-built air-raid shelters, black-iron sheds and paper-walled houses (Fenbury 1978, 49). As Stanner described the devastation in the Mandated Territory, 'It was as if half a century of European development, German and Australian, had not been'. As to the psychological impact,

'The natives' "realized" experience had grown; there seemed to have been significant changes of outlook and behavior in many areas ... the simple acceptance of European authority and prestige seemed to be no longer assured; here and there hostility towards Europeans was marked; racial awareness and a sense of cultural inferiority seemed sharper; more natives were capable of verbalizing their hopes and dissatisfactions than before' (Stanner 1953, 86).

Concerning the Tolai, Bill Epstein said simply that 'indigenous aspirations were given new force and direction by their wartime experiences. Such aspirations may often have been vague ...[but] the Tolai were not in a mood to accept meekly a return to the *status quo* of the pre-war period' (Epstein 1969, 32). Compared with circumstances elsewhere, however, such changes were relatively muted. In longer-subjected territories colonialism was in rapid retreat, as

'centuries of history were reversed ... the United Nations became immediately enmeshed ... and the Asian-African bloc symbolized a fundamental change in the balance of world forces [while] leaders of the new nations insisted that international attention be given to their development problems. Areas that had been considered in the eighteenth century as "rude and barbarous", in the nineteenth century as "backward", and in the prewar period as "underdeveloped" now became the "less developed countries" or the "poor countries" -- and also the "emergent countries" and "developing economies"' (Meier 1984, 4-5).

These events marked the assertion of a new orthodoxy in the conduct of colonial policy. This was the ideology of purposive 'economic development', a term which (as Meier remarked) 'was rarely used before the 1940s'⁷. The emerging discipline which came to be known as *development economics* was 'at once among the oldest and newest branches of economics'. From its origins in the eighteenth century with Adam Smith's *Inquiry into the Nature and Causes of the Wealth of Nations*, and after a long desuetude, 'development' acquired a new cogency for capitalist societies in the post-war period. Whether or not these states had been colonial powers, all feared

⁷ Meier cited, as authority for this assertion, the pioneering ANU 'development' economist Heinz Arndt (1981)

'that former colonies might, if there was little social progress, fall under communist domination: investment opportunities and access to markets and sources of raw materials would then be diminished. In addition, egalitarian tendencies and humanitarian tendencies had been reinforced by wartime propaganda. A political basis thus emerged in the early 1950s for large-scale financial and technical aid from the richer countries' (Ibid.,8).

Australia 'signed on' to this new international orthodoxy very early in the post-war period, influenced by wartime events and the heady experience of participating in the post-war birth of the UN system⁸. The Labor government made clear it had no intention of returning New Guinea to the *status quo ante bellum*. Wartime planning for the future management of Papua and New Guinea had instead settled on a notion of 'the paramountcy of native interests' (MacWilliam 2013, 4). In 1945 Minister for External Territories E J Ward, introducing legislation for a joint Papua-New Guinea Provisional Administration, announced the government's intention to increase the appropriation of resources to the territories and pay compensation for war damage (Mair 1948, 231n). 'There would be a break with the past, when not enough had been done, and a future of "better health, better education, more participation in the wealth of their country and eventually a say in its government" for the indigenous population' (MacWilliam op. cit., 37). In 1946 Ward spelled out the implications of this for the balance between native agriculture and the plantation sector:

'Non-native expansion must ... be governed by the well-being of the indigenous inhabitants of the Territory as a whole ... [and] while as in the past the basis for the economy will be native and non-native working side by side: [now] the limit of non-native expansion [would be] determined by the welfare of natives generally' (cited by MacWilliam, *ibid.*, 38).

MacWilliam has distinguished three 'propositions' underlying the subsequent policies of both Labor and Liberal governments, derived from the 'paramountcy' of indigenous interests (*loc. cit.*,6). Firstly, the role of the state in 'bringing development, conceived as securing village life ... at higher living standards'; secondly, the intention 'to anticipate and block what were considered as negative dimensions of capitalism's spontaneous development, including landlessness'; thirdly, policy framed in terms of a duty of 'trusteeship' or 'guardianship' (the latter a term which Hasluck, Liberal Minister for Territories 1951-63, preferred to the earlier Labor Party rhetoric) (*Ibid.*,82). MacWilliam believed Hasluck saw guardianship as 'critical to secure village life dominated by smallholder households against threats posed by the emerging class of indigenous capitalists' (*Ibid.*,6). 'Securing village life' would become a more contested area of policy in the late colonial period but for the time being, and so far as the Gazelle Peninsula was concerned, these propositions would underlie drastic changes from policies of the interwar period, during which regulation had frequently advantaged Australian trading and planting interests at the expense of Tolai. By MacWilliam's account, the practical expression of these new principles

⁸ Australian Foreign Minister Evatt participated in the 1945 San Francisco conference and the UN Preparatory Commission. Australia became a Security Council member and Evatt President of the General Assembly.

for at least twenty years to the mid-1960s was that Administration energies were directed principally to 'expanding household production of immediately consumed, locally and internationally marketed crops' (Ibid., 2), rather than giving priority to the plantation sector. Over that period (and with an important exception, concerning Goroka, to be discussed in a future paper) 'officials quite deliberately refused to provide support for those forms of commerce, mainly international and expatriate owned which were regarded as potentially destructive of village life' (Ibid., 6). Tolai people, historically subject to considerable alienation of land by plantation interests, would be among the primary beneficiaries of such measures. An orthodoxy of 'economic development', informed by the 'paramountcy of native interests' and the obligation of 'guardianship', would serve to shape bureaucratic norms and procedures for the remainder of Australia's tenure as colonial power. These ideologies became internalized, so much so that 'by the 1960s and early 1970s, the idea of development also had become central to the thought and policy prescriptions of the most ardent nationalists, indigenous and expatriate' (MacWilliam 2013,8). An educated bourgeoisie had finally appeared, Tolai among them, to adopt at least this element in the culture of the colonial master (though perhaps in rather self-interested fashion).

To return to Rabaul in the early post-war period, compensation payments were later acknowledged as 'a major factor in pacifying a restive population and in rewinning their confidence' (Stanner, *ibid.*, 119). The largest payment was made on the island of New Britain, and (reflecting the magnitude of their economic losses) a substantial part of that went to the Tolai, who benefited from an injection of resources. Echoing contemporary opinion among resident Australians, Stanner commented that much of this was devoted to current rather than investment expenditures, and may have done more for the expatriate private sector than the villagers. Chinese traders certainly benefited, but Stanner probably understated the value of underwriting Tolai consumption during years when much of their labour was devoted to rehabilitating the coconut groves and individuals began experimenting with the inter-planting of cocoa. In addition, they took advantage of the availability of cheap surplus army vehicles and other *materiel* during reconstruction, and for years afterwards. Again, while Tolai had benefited somewhat from such formal education as was provided by Missions and government before the war, the Gazelle region now became a favoured area for educational investment, achieving enrolment ratios among the highest in the country. Finally, maintaining the status of the region as a 'lucky place', the new emphasis on native smallholder production in the strategy for 'economic development', together with superior agricultural extension facilities on the Gazelle, proved particularly beneficial for the Tolai, already relatively advanced as cash crop producers.

Innovation and efforts at formalization

Immediately after the war there were few trade stores to buy small lots of copra from Tolai growers. Salisbury recorded that 'some individuals with large acreages made contact with the PCB [Production Control Board] directly and were able to open accounts' (Salisbury 1970, 133). One such man, Enos of Vunamami, 'formed a copra-buying group to sell the copra to PCB, bought a truck and started a co-operative store' (Ibid., 320). The PCB required a minimum shipment and growers' sales were recorded, with a second payment made after export proceeds were realized. This window of opportunity for Tolai, to set up as (in effect) independent traders, closed as the intermediary trade revived and the PCB required increasingly larger minimum shipments. The significance of this episode lies in showing how certain Tolai individuals reached towards more formal modes of operation, marked by acceptance of procedures such as registration and observance of quality standards for copra processing. This required them to deal with bureaucratic organizations and to conform with their norms.

Increasing formalization of the economic activities of at least some Tolai was further advanced by the postwar revival of the cocoa industry. Most prewar cocoa plantings had been destroyed but after the war agricultural officers were quick to distribute planting materials, including to Tolai. Although few had planted cocoa prewar, they now showed increasing interest and the growth of smallholder cocoa production became an objective of agricultural policy. Enos of Vunamami, for example, was among the first Tolai to be approached by an agricultural officer to plant cocoa; in 1949 he deployed his own land, and other ground secured by political influence, to become a substantial producer. Through his other business interests, and subsequent role as a Director of the Tolai Cocoa Project, Enos would become the very model of a Tolai 'formal' entrepreneur and man-of-influence (Ibid., 319ff). It is piquant that Administration officials, while seeking to initiate a broad-based and equitable development of smallholder cropping, should have felt it necessary to select elite individuals for early assistance. By doing so they very likely reinforced those individuals' political and economic ascendancy. Scott MacWilliam has emphasized the significance of 'wealthy and influential Tolai' who were 'the first to embrace cocoa'. As he noted, 'these individuals often had unplanted land and the capacity to mobilise labour from "clan dependants"'. In consequence, a 'spontaneous process of development, with Tolai bourgeois and would-be bourgeois to the fore' ran ahead of Administration capacity for supervision; not until the 1950s were officials in a position to exert effective guidance over the industry (MacWilliam 2013, 74-5). After that, 'even [though] cocoa was first taken up by wealthy indigenes on the Gazelle Peninsula, agricultural extension services were directed to give substantial support to smallholder production of the crop' (Ibid., 101).

What Scarlett Epstein described as a 'vigorous' extension campaign among the Tolai began in 1951. Progress was rapid; by 1954/55, the population of some 34,000 Tolai owned an average of 35 cocoa trees each; by 1960 their numbers had grown to 40,000 with a tally of 74 trees apiece. The rapid growth of the industry during the 1950s, together with Tolai

investment in cocoa processing and new forms of political consolidation, marked the commencement of Salisbury's fourth stage of Tolai accommodation to the market economy. Although formal plantation output was also recovering rapidly over this period, Tolai became responsible for more than a third of 'dry bean' production on the Gazelle by 1965 (Epstein 1968, tabs 18,19). Regulation of smallholders was attempted under a Cocoa Ordinance from 1952 which required all growers to register and to have no fewer than 500 trees 'in continuous grove', as a condition of registration. This established a *de facto* criterion for formality which many growers could not, or would not, satisfy. The ordinance was never effectively enforced and unregistered cocoa production flourished -- partly because of the many small plots involved, but also because some Tolai men preferred to keep part or all of their cocoa plantings secret. Other regulatory objectives related to quality of product (seen as an issue of processing) and returns to growers (a matter of marketing). Regarding cocoa processing, 'the Administration was concerned that native growers should produce a uniformly high quality cocoa which could be sold on the world market at a satisfactory price'. This would require investment in modern fermentaries and scrupulous quality control to achieve the desired grades of fine and flavour cocoa. Achieving the desired quality levels would be a significant step towards professionalizing and formalizing the Tolai cocoa industry. The goal of maximizing prices suggested the need for joint marketing, to exert competitive power against independent cocoa buyers such as private traders and processors. As to how this might be done, concern about poor performance of Tolai copra cooperatives prompted the quest for an alternative model of community organization, one able to assure both quality and price objectives (TS Epstein 1968, Ch. 7).

5. The rise and fall of the Tolai Cocoa Project

What follows is a case study of a significant bureaucratic initiative by the colonial Administration, the Tolai Cocoa Project (TCP). This was intended to formalize smallholder production within the emerging Gazelle Peninsula cocoa industry. The initiative inspired resistance from some Tolai, taking the form of a kind of stubborn informality. The rise, and then decline, of the TCP has been analysed as a conflict between tradition and modernity (Epstein 1968) and also in terms of class antagonisms (MacWilliam 2013). While both accounts are informative, further insights are to be gained by viewing these events through the lens of informality.

Although the TCP was established as a formal entity in 1956 its component parts had already operated for some years, processing and marketing a growing proportion of the Tolai cocoa crop. The creation of a system of Local Government Councils on the Gazelle from 1950 provided an institutional anchor for this exercise. Councils were founded on 'rational-legal' bureaucratic principles: they were elected statutory bodies with prescribed

and formal modes of governance; empowered (inter alia) to operate economic enterprises; able to appropriate funds and incur debt for that purpose. They exemplify Keith Hart's Weberian bureaucracy -- as instruments designed to realize the goals of a guiding economic orthodoxy (or 'prevalent economic model'). In this case, as Scott MacWilliam (2013) has contended, the goal was to achieve a model of economic development dedicated to 'the paramountcy of native interests', seen as requiring a society of smallholding producers in a market economy. Both Councils and the TCP had roles to play in this scheme of development and the powers invested in these bodies might be seen as further evidence of Salisbury's 'political consolidation' among the Tolai. The extent to which the Administration pulled the strings may, however, suggest a less autonomous process than had marked earlier Tolai political consolidation.

Hart's idea of *informality* was constructed, as we have seen, in relation to notions of bureaucracy. The TCP, while neither incorporated nor governed by a formal constitution, was nonetheless subject to the statutorially-constituted Gazelle Councils, in which its assets were vested, and was therefore a formal entity. From 1958 the Project was administered by a Board of Management on which sat Council and grower representatives, as well as senior members of the colonial Administration. Bureaucratic guidance was exercised through colonial supervision of the Councils, through its Board, and by Australian administrators and technical specialists seconded to the Project itself. Scarlett Epstein noted that, as late as 1965, although Tolai held a majority on the Board they lacked the confidence to take charge of the TCP for themselves. Her reference to 'a break-away political movement' in the Tolai community opposed to the Project (Ibid., 124) suggests some deficit of legitimacy in TCP governance. If so, perhaps the Project had elements of that 'negation of democracy' which Hart (2006, 23) saw as often resulting from the imposition of bureaucracy on ordinary life. If the numbers of smallholders who joined the Project and their conformity with TCP rules indicated a degree of formalization, what should we think of those Tolai who rejected the TCP, and of those who, despite joining, failed to *conform* with its rules? By laying down formal rules and procedures for its members the Project also made informality possible, in terms of non-observance of project norms. Observing the unorthodox manner in which many Tolai continued to grow and sell cocoa, we discover a stubborn informality among them. This manifested itself in what Epstein called 'the drift away from the project' -- behaviour amounting to widespread rejection of the goals and bureaucratic procedures of the TCP.

From its beginnings the Project had suffered the competition of private cocoa traders and processors, both European (including plantation owners) and Chinese. Other Tolai were also free to build and operate fermentaries and all these 'independents' were willing to purchase wet (unprocessed) beans directly from growers. Councils attempted to establish exclusive right of purchase for the TCP by banning Tolai sales to traders, but this action was disallowed by authorities in the interest of competition. Nonetheless during the 1950s the Project succeeded in purchasing a growing proportion of a rapidly growing output of

smallholder cocoa. The peak occurred at 70 per cent in 1958, after which the proportion declined progressively. In 1962, in an attempt to halt the drift, an Ordinance concerned with licensing new fermentaries required these to be restricted to Tolai, excluding European and Chinese independents (Salisbury 1970, 60). This is emblematic of the policy U-turn since the pre-war period, when bureaucratic interventions had been more commonly intended to advantage European interests. Even so, by 1965 the TCP garnered only 36 per cent of Tolai cocoa beans and because the Project had incurred bank debt to ramp up production this situation posed a threat to its viability. In 1967 the Project was vested in a single, newly-unified, Gazelle Peninsula Local Government Council. After this, new management and procedures 'appeared to breathe life into the TCP', and the project recovered sufficiently to capture 63 per cent of Tolai bean production. However increasing costs, new debt obligations and an attempt at diversification into coconut purchase and processing, together with increasing competition from independent cocoa buyers, contributed to reversing this brief recovery. Conversion of the Gazelle Council into a multi-racial body in 1969, bringing non-indigenous residents under the same umbrella as the indigenous, increased disaffection among sections of the Tolai population. By 1970 market share was down to 32 per cent and the writing was on the wall; preparations commenced for the TCP to be privatized, a process completed in 1971 (MacWilliam 2013, 186-7).

Why the Project failed: rival explanations

A number of explanations of the erosion of support for the Project have been offered; this account will examine those of Scarlett Epstein (1968) and Scott MacWilliam (2013), who represent, respectively, anthropological and political economy modes of inquiry. These narratives will be examined through the lens of the formal/informal duality. There are other explanations, including one in the tone of envy and denigration which often marked European stories of dealings between Tolai and the Chinese. A press report in 1960, which provided a starting point for Scarlett Epstein, suggested Chinese traders 'were "milking" cocoa from the Tolai Cocoa Project with offers of immediate cash payment'. Chinese were said to be supplying alcohol to Tolai (then still prohibited from drinking liquor) while providing 'a "no questions asked" depot' for stolen cocoa (Epstein 1968, 122). Rejecting this account, Epstein dismissed the idea that Tolai would prefer a single upfront payment to a larger total sum (received in two instalments) because (she said) most Tolai were not strapped for cash (Ibid., 123). And while not denying some influence of 'sly grog', she also pointed out that support for the project continued to decline after prohibition ended in 1963.

In framing her own explanation, Epstein recorded that some TCP members supported the Project publicly, but sold beans to traders 'under shelter of darkness'. An informant, *To Tama* of Rapirok village, was conflicted by this situation:

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

To Tama's dilemma arose from his obligations under Tolai customary land law, a system increasingly under pressure due to the introduction of cocoa. Among the Tolai, as population densities rose, the combination of land allocation on matrilineal principles and the patrilocal residence of many men was increasing disparities in land distribution. This situation was exacerbated by the growing use of land for cocoa, a perennial crop, so that a traditionally flexible system of shifting agriculture was now subject to increasing rigidity and competition for land.

To Tama's land in Rاپitok was acquired through his matrilineal descent group, while his wife had no rights in the village and was unable to transmit land to their son. To Tama had planted on land registered under the Cocoa Ordinance. He took these beans dutifully to the TCP fermentary for formal sale under Project procedures. But on another parcel of land, which he did not register, To Tama and his son planted more trees. Beans from this land were sold secretly for the boy's benefit to Chinese traders in Rabaul. Epstein explained this behaviour as the father's strategy to give his son some chance, in the wheeling and dealing which would follow his death, of acquiring part of the father's matrilineal lands. In the meantime the boy would benefit from the income yielded by 'his' block of land. The drift from the project, in Epstein's view, was caused by the inability of customary land and inheritance law to accommodate the introduction of perennial cash cropping. We might see this as inducing behaviour by some growers which was 'informal' in relation to Project norms.

Contrasting with Epstein's anthropological analysis, Scott MacWilliam (2013) proposed an alternative explanation. He rejected explanations couched in terms of 'the growing clash between "tradition", represented by matrilineal inheritance patterns, and "modernity"', represented by individualization of land tenure. Epstein's explanation was deficient, because it did not 'distinguish between the drive to accumulate by Tolai who formed the local indigenous class of capital, and the possibility that for other, most, Tolai, cocoa provided the means for acquiring consumption goods'. MacWilliam's account of the development of a Tolai cocoa industry involved a 'clash' between 'indigenous capital' and 'household production', one of the casualties of which was the Tolai Cocoa Project itself.

The decline of the Project is only incidental -- an epiphenomenon -- in MacWilliam's narrative. His primary concern was with a developing and broader-fronted divergence of class interests ('the tussle between accumulation and welfare'). This involved confrontation between an emerging indigenous bourgeoisie bent on accumulation (including control of the assets of the TCP) and a larger category of small producers. The Project provided one of the fields on which this contest was played out. For the small players, cocoa provided opportunity 'for immediate, possibly enlarged consumption'. Not surprisingly, 'the hiding of

assets by the class of accumulators' was seen by them as 'an attempt to reduce their welfare' (MacWilliam op. cit., 191-92). That most of the producers dealing with independent traders were small fry is of limited importance for MacWilliam's argument. He focused on accumulation by the large players, rather than on the way many smallholders satisfied their consumption needs (including, perhaps, access to illegal alcohol) through covert informal trade (including, sometimes, trade in cocoa stolen from formal plantations).

The seeds of this conflict between indigenous capital and household production were sown, unwittingly but inevitably, by the early prominence of 'wealthy and influential' individuals (MacWilliam's 'accumulators') in the post-war initiatives of an Australian government intent upon stimulating broad-based smallholder development. MacWilliam emphasized the generally benign and positive character of post-war colonial policy (which he labelled as 'intentional development', corresponding broadly with what is described here as the ideology of 'economic development'). However he pointed to the longer-run failure of its efforts (on the Gazelle and elsewhere) to secure an equitable pattern of household agricultural development. Increasing levels of economic and social differentiation among Tolai were probably inevitable, for (as MacWilliam contended) the processes of change in Papua and New Guinea were subject to an ineluctable force -- 'the external authority of capitalism'. Thus:

'The Allied military victory confirmed that recovering from the effects of the 1930s Depression and the military conflict in the South Pacific would take place under the external authority of capitalism. Production and trade for most of the world's population was governed by profitability, the re-assertion of the private accumulation of capital' (MacWilliam 2013, 12).

From the mid-1960s on the Gazelle, as the culmination of a process by which individuals had succeeded in acquiring and (as MacWilliam put it) 'hiding' assets, a powerful group arose. The interests of its members 'often spread over a number of landholdings owned and operated under different arrangements'. By 1974, suggesting how far such people had advanced beyond household production, '15 per cent of all indigenous-owned cocoa in East New Britain and Bougainville was grown using wage labour' (ibid., 193). His view of the significance of this new class and the timing of its emergence was portentous:

'An increasingly prominent indigenous bourgeoisie acquired a substantial hold upon state power just as the state was being reformed to accommodate self-government and national independence. The growing struggle over land among households as well as between these and other indigenes with large holding ambitions became especially prominent as expatriates and international firms relinquished ownership of substantial areas of the most fertile soil' (Ibid., 243).

Privatization of the Tolai Cocoa Project occurred during this period, but Salisbury (1970, 1971) had finished writing about the Gazelle and took no account of further developments. He had regarded successive rounds of 'political consolidation' as crucial to the progress of Tolai communities in the market economy, and the establishment of the TCP as a signature achievement of that process. If so, in Salisbury's terms its acquisition by private interests

should be regarded as a failure. But setbacks had occurred before to interrupt Tolai economic progress, as for example during the stasis period of 1921-35. That situation began to improve before the Pacific war, while under post-war Australian policy, based on 'guardianship', representative Tolai institutions were nurtured and smallholder development encouraged. Salisbury's vision of a rural-based Tolai household economy, propelled by an increasing elaboration of service sector activities, should perhaps be seen as inspired by this relatively benign and egalitarian post-war policy environment.

By contrast, Scott MacWilliam saw the TCP privatization in 1971 as introducing a new, more brutal, era in which indigenous class divisions ('between smallholders, indigenous capitalists and their respective allies') would be openly played out in national and regional politics (ibid., 194). While the post-Independence period is beyond the scope of this study, MacWilliam's suggestion of increasing accumulation by an 'indigenous bourgeoisie' raises the possibility that Salisbury's immiserizing 'urban involution of services' would follow as a consequence of these divisions. In Salisbury's terms this might represent a fifth 'stage' -- albeit one marked by regression -- though more positive developments (a technological *deus ex machina*, perhaps, or the success of educated Tolai workers in an emerging national labour market) might still occur to avert such a result. Some post-1975 evidence concerning this last possibility will be presented below.

To return to Epstein's account, we note that in return for the opportunity to engage profitably in the formal market economy To Tama accepted particular obligations the Project imposed upon him. On the other hand, To Tama felt keenly the opposed tugs of tradition and fatherly affection, the twin horns of his dilemma. Whether or not he complied with obligations imposed by customary law should not be discussed in terms of formality or informality, for these concepts have no salience in the pre-market situation from which customary law derives. Nonetheless, by concealing part of the cocoa he produced and creating ambiguity in his relationship with the matrilineage, To Tama chose also to engage in informal market dealings, separate from his relationship with the Project. This he did to advantage his son. His situation illustrates the hybridity to be found in economic life in circumstances of transition to market economy, where Adam Smith's view of trade as due to a natural human tendency to 'truck and barter' is counterposed against the Maussian conception of exchange as the product of socially regulated customs.

Stubborn informality in the rural economy

This discussion of events associated with the decline of the TCP has been conducted in terms of opposed pairs (indigenous capital and household production; tradition and modernity) each of which provided insights into the development of market economy and the processes of economic differentiation. There is also the formal/informal distinction, central to this writer's analysis. The formal/informal duality may be observed in MacWilliam's version of Gazelle reality, where some wealthy Tolai led the way to adopting

formal modes of economic activity. They were active in local government, were among the strongest supporters of the TCP, were represented on its board and hoped eventually to share in its assets. They delivered their cocoa to the Project for processing and may have persuaded their followers to do the same. But other wealthy men in an 'anti-council' bloc (Epstein's 'break-away political movement') clung to informal modes of operation. They dealt with private traders or even established their own processing facilities, which although primitive by comparison with those of the TCP found customers among other Tolai growers. Some others, no doubt, pursued strategies similar to that of To Tama -- combining the formal and informal modes by dealing with both the Project and independents.

There seems no way to establish the proportions in which 'indigenous capital' took these various options and certainly no pattern emerges from an attempt to read MacWilliam's narrative in terms of formality and informality. If this duality were salient to his analysis one might expect wealthy Tolai, for whom shortage of cash was not a problem, to deal in formal fashion with the TCP. However political considerations and/or issues of inheritance (what MacWilliam described as 'hiding assets') seem to have counted more heavily for some. Status as an 'accumulator' provided no sure prediction of how an individual might act. Again, one might think small growers (those 'reproducing consumption' as MacWilliam described them, and having a stronger preference for ready cash) would be most likely to desert the Project by entering into informal transactions. But not all did. Informality in growing and marketing cocoa appears to have been a personal choice, for which an individual's class status does not appear to have been a reliable predictor.

By contrast, and as mentioned above, Epstein's account of cocoa-grower activity turns on what is described here as hybrid behaviour. Reading her account we can see that, while growers were conscious of bureaucratic norms dictated by the TCP, they were also subject to expectations derived from their own socially-regulated customs. For many growers, these social expectations made it difficult to *conform* with bureaucratic requirements. Because her analysis focuses on this discrepancy between the imposed orthodoxy and practical outcomes, Epstein's account is more congenial to the formal/informal framework than MacWilliam's class narrative. Analysis in terms of informality is of particular value in circumstances of economic hybridity (although not all informal activity is hybrid).

What is being discussed here is the phenomenon of *rural* informality (Conroy 2013c). In an agricultural economic system undergoing the transition to market exchange (such as that of the Gazelle) rural informality occurs in households where continuing evidence of earlier modes of production and distribution (such as household subsistence, non-market exchange and traditional land tenure) may be apparent. Such visible reminders of customary social arrangements are conducive to hybridity in market exchange. Their continued operation may also, however, serve to mask significant change occurring in rural domestic economy. In the case of the Rabaul hinterland such 'masked' changes included efforts to modify traditional land tenure arrangements (emphasized by Epstein) and to manage new forms of material accumulation (stressed by MacWilliam).

The 'under the radar' character of much rural informal activity provides some explanation for the limited discussion it has inspired in the international literature -- certainly by comparison with the abundance of attention lavished on *urban* informality (Conroy 2013c). Perhaps the demarcation of formal from informal poses greater conceptual difficulty in rural areas, because developing country agriculture remains, in varying degrees from place to place, and to a greater degree than for urban economic activity, the joint domain of the 'traditional' and the 'modern'. Although it is often assumed that informality will be eradicated by the forces of 'modernization', in practice it appears that informal economic activity is tenacious in the face of pressures for change. The stubborn informality of those Tolai who resisted the TCP (and contributed to its eventual downfall) is a case in point.

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

Richard Salisbury recognized manifestations of the informal economy phenomenon occurring in and around Rabaul in the early 1960s. Insofar as he discerned an informal economy in Hart's sense of the term, it was primarily a *rural* informal economy, although the possibility that an *urban* informal economy might emerge (an urban 'involution of services') was also considered in his work. The discussion above of copra and cocoa suggests the importance and complexity of these two industries, and describes the involvement in them of Tolai operating both formally and informally. Later discussion of the Chinese community in and around Rabaul (Conroy, forthcoming) will add to our understanding of the complexity of these activities. For reasons of geography (proximity to Rabaul) and infrastructure (the well-developed road system of the Peninsula) Salisbury's rural informal economy was shown to be quite well articulated with its urban centre. There is a strong sense in the accounts of both Scarlett Epstein and Salisbury of a thriving set of rural-urban relationships in which the rural informal economy was an important element.

The primary expression of this rural-urban articulation in the time of Salisbury and the Epsteins was found in the major urban marketplace, in Rabaul itself, where Tolai from all parts of the Gazelle gathered to display their produce. Richard Salisbury estimated that some 7,000 people attended on Saturdays in 1961, spending around £2,000 (Salisbury 1970, 175) while Scarlett Epstein counted some 2000 vendors and calculated the cash takings at £2,750 (Epstein 1968, 137). Women, acting as what Scarlett Epstein called *producer-sellers*, were dominant in this and other Peninsula markets (Epstein 1982). Sales by individuals were typically small and (demonstrating the hybrid character of this activity) market attendance was valued as much for the opportunity to socialize as for any profit. Epstein commented that, while using specialized middlemen would have saved time and yielded higher net returns, 'women producers were not interested in subordinating the social advantages of their market visits to economic gains' (Epstein 1968, 145). Market transactions with non-

Tolai were conducted in cash, while in dealings between Tolai both *tambu* and cash were used. Shell money could be exchanged in intra-Tolai trade for a wide range of traditional commodities and services, and some women used the market as an opportunity to accumulate *tambu* as traditional wealth. But overall most of their earnings, *tambu* or cash, was spent immediately to buy other varieties of food for household consumption or to cover transport costs. Such transactions were in principle 'value-adding', in the national-accounting sense, whether conducted for cash or for *tambu*, and as unenumerated trade they should properly be classed as informal. While occurring in the town, they were not so much an instance of *urban* informality as the urban activity of *rural* visitors. Nor (as Epstein's designation of them as 'producer-sellers' emphasized) was there any suggestion of specialized trade functions.

Salisbury thought Tolai men more profit-oriented than women in food production. In Vunamami they often initiated plantings of subsistence and introduced crops for Rabaul and other markets. In the inland village of Rapitok, Scarlett Epstein observed some entrepreneurs contracting for the bulk supply of foodstuffs to commercial plantations and institutions (schools, missions, hospitals), bulking up consignments from individuals and trucking produce on commission, thus performing intermediary functions which still appeared largely lacking in the marketplace trading of women (Epstein 1968, 80). In the town itself, Salisbury saw some street trading in Rabaul, while at public occasions, such as sporting events, vendors selling cigarettes, buns, soft drinks and sweets were active. He did not report whether the traders were men or women, or whether they were urban-based (Salisbury 1970, 189).

The Tolai group most intimately engaged in the urban economy at this time were the *Matupi*, of the peri-urban village of Matupit, studied by A L (Bill) Epstein (1969). For Matupi women, market attendance was one of their most important and regular activities. Unlike other market-women they purchased and re-sold produce. Fish, vegetables, lime and eggs were sourced in Matupit, and other produce in the marketplace itself. This they sold in the market, and around the town streets or by visiting offices, Chinese stores and other workplaces. Perhaps their greater familiarity with the town gave them confidence to do this. Such peddling behaviour, with less emphasis on social interaction and more on re-sale and profit, set them apart from the bulk of 'producer-sellers' in the market.

Bill Epstein's remarks concerning the relationship between Matupit and Rabaul in earlier periods were reported above. For the 1960s, he emphasized the multiple economic activities followed by villagers, for 'it is only by simultaneous participation in the different sectors of the economy, wage, cash and subsistence, that the Matupi can take full advantage of the opportunities for employment in the town and elsewhere' (Ibid., 305). In this they displayed what Peter Bauer called 'imperfect specialization of labour' and 'occupational fluidity', characteristics of informal economic activity (Bauer and Yamey 1957, Conroy 2012a). Starting from a (still) relatively secure base in the subsistence economy, they might earn cash by gardening and sale of traditional crops, or by cultivation and sale of

introduced cash crops, while 'some have emerged as contractors and entrepreneurs' and others were in wage-employment. 'But perhaps what is most significant for an understanding of the Tolai's adaptation to modern conditions is the way many are able to combine a number of these activities at the same time' (Ibid., 189). Such capacity in the 'juggling' of activities has been described by a modern commentator as 'the reality of a thriving informal sector, the diversity of smallholder livelihoods combining formal and informal, farm and off-farm, urban and rural activities' (Vorley *et al.*, 2012, 11).

While many Matupi men possessed carpentry skills, at any time relatively few worked at this trade. If an entrepreneur won a contract of works there were plenty of men to join a team, facilitated by flexibility in the round of subsistence tasks. Similarly, Matupi entrepreneurs occasionally contracted to 'turn around' a ship. They could recruit labour readily, with workers seeing the opportunity of pilfering cargo as a bonus. There were some small businessmen in the village, running trade stores and other enterprises. Others had replanted coconuts vigorously after the destruction of the war and rebuilt copra dryers. Eight stores operated in Matupit in 1960, with capital generally subscribed by members of a descent-group. Such stores suffered many disabilities (including interference from descent-group members and pressure to extend credit) and their viability in a strictly commercial sense was problematic. But these were hybrid enterprises; 'most of those who were engaged in running stores were not entrepreneurs in the modern sense' (Ibid., 65). Beyond the village, there was no simple dichotomy between those with wage employment and others working at home. Wives worked in gardens and wage-workers did so at weekends, on holidays or between stints of formal employment. Few absent workers stayed away for extended periods.

Beyond Matupit, in the rural Gazelle, Salisbury (1970, 1971) recorded that many individuals and groups tried trucking produce and carrying passengers; ownership of vehicles conferred prestige and the hope of profit though, typically, inadequate provision was made for capital replacement. Nonetheless, some men succeeded in maintaining their vehicles and operating profitably. Small carpentry contracting was a widespread private business, relatively lucrative though sporadic and combined with agriculture and other activities. Contractors normally preferred to quote construction costs using the client's own materials, limiting their investment to tools and the hire of labour. Pig raising had become a commercial activity, with most customers from among the Chinese community, while many households raised a few chickens for sale. Beer was obtained and re-sold illegally and a local banana liquor was distilled. Commercial *pati* (parties) were frequent events, with music and drinking, and could be quite profitable for a shrewd entrepreneur. Small trade stores were common, though often short-lived or spasmodic in operation, with (as in Matupit) maintenance of working capital and credit control the principal problems. Scarlett Epstein was disappointed by the absence of simple manufacturing industries, such as furniture and household items suitable for the local market, and like Salisbury and Bill Epstein she cast

doubt on the commerciality of many service ventures, describing the continuing hybridity of much economic behaviour:

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

Hybridity in motives for investment, as also in the behaviour of women market vendors, was matched in the rural service sector. There, much economic activity exhibited a continuing adherence to traditional values and goals. As recorded by Salisbury (1971), such services usually required payment in shell money. Transactions included hiring traditional specialists: composers of songs and dances, canoe builders, makers of musical instruments, also ritual specialists who performed rituals of benefit to communities. Mortuary rites, and ceremonial associated with male cults, had become larger in scale as part of the familiar 'efflorescence of exchange' associated with monetization and cash cropping in many Melanesian societies (Conroy 2012a). Specialists in magic and ritual, including the workers of spells, may have continued to operate, though Christianized informants were reticent on such matters.

The late colonial period, 1960-1975

The work of Salisbury and the Epsteins for the period to 1960 is cited frequently here. Assessment of growth and change in Tolai informal economy in the later colonial period is bedevilled, however, by the absence of comparable studies for the period 1960-1975. In time, the achievements of the Epsteins and Salisbury would encourage some 're-study' exercises, but in the run-up to Independence increasing political instability on the Gazelle was not conducive to field-based research (whatever about its interest for students of politics) although Scarlett Epstein was able to elaborate her marketplace research, collecting additional data for Rabaul market in 1968-69 (Epstein 1982). Later fieldwork, by Christine Bradley at Pila Pila near Rabaul in 1978-79 and Bill Epstein's return visit to Matupit in 1986, also furnished some relevant data. These sources have permitted a degree of cautious 'backward' extrapolation, suggesting something of the trajectory of change during the late period to 1975, although the conclusions are somewhat tentative and certainly not comprehensive (especially in regard to the economic activities of men, to which these writers did not devote much attention).

Scott MacWilliam was confident that the tendency towards 'the private accumulation of capital' continued apace over this time, with growing differentiation between his 'accumulators' and 'consumers'. Tellingly, he cited the first formal development plan prepared by colonial authorities in preparation for self-government at the end of the

1960s.⁹ This suggested both how far post-war policies of smallholder development had borne fruit and the parallel emergence of inequality:

'About half the land under commercial agriculture is already cultivated by indigenes, and indigenous holdings contribute about 40 per cent of the total value of crop production. These proportions will be substantially increased under the proposed development programme. At the same time *the trend towards larger holdings in indigenous hands is expected to continue*' (TPNG 1968, emphasis added).

Nor was it simply a question of land, for 'agricultural operations did not represent the extent of the indigenous bourgeoisie's ambitions. Members of this class moved into crop processing and export, transportation, trade, urban real estate and other areas of commerce' (MacWilliam 2013, 233). The propensity of such 'accumulators' to hide their assets (including in community-owned 'development' entities) obscured the reality of these changes, but growing inequalities, suggested by the entry of politically-connected national entrepreneurs to higher reaches of the formal economy, were much-remarked by contemporary observers of the Gazelle.

At the more modest level of MacWilliam's 'consumers', however, another and more widespread mode of capital accumulation could be observed. This took a form more relevant to the central concern of this study, informality. The case of Pila Pila, the village studied by Bradley in 1978, is perhaps not entirely representative by reason of its close proximity to Rabaul, though it could be seen as further along a path many Tolai villages would likely have to travel. Like almost all Gazelle villages, Pila Pila had good access to formal Western education, although, with a government school established in 1936, it was ahead of most. The village's land resources were stretched by population growth and the extension of perennial tree crops, to the point where 40 per cent of its people now had little or no land for subsistence gardens and were obliged to buy their food. Nonetheless, it was 'one of the most prosperous villages on the Gazelle but with a marked and increasing degree of economic differentiation'. Formal wage and salary incomes totalled three times as much as income from cash crops. With 62 per cent of households having a resident wage-earner (and 15 percent having two) and some 30 per cent of adult males absent working away from the Gazelle, Pila Pila had compensated for land shortage by earning substantial returns on its accumulated *human* capital, in the form of the wages and remittances of educated villagers (Bradley 1982,44-6)¹⁰.

Again, and somewhat later, Bill Epstein found that 'in a completely novel departure' many of the people of Matupit not only worked in Rabaul but now also lived there, while considerable numbers of educated Matupi had managed to parlay their schooling into residence and well-paid formal employment in other urban areas (Epstein 1988a, 1988b).

⁹ Territory of Papua and New Guinea (1968), 'Programmes and Policies for the Economic Development of Papua and New Guinea'

¹⁰ See Conroy (1976) for discussion of the contemporary history of 'investment in human capital' in PNG

Writing in 1971, Richard Salisbury had suggested the possible emergence of an urban 'involution of services' (which we would now recognize as an impoverished 'urban informal sector'). He had feared this would occur due to rural population growth and economic stagnation among the Tolai. By the time of Independence, however, in Pila Pila, Matupit and other land-short Tolai villages, the combination of education and subsequent migration to sources of formal wage employment appears to have provided the *deus ex machina* needed to avoid, or at least postpone, Salisbury's 'urban involution'. It was also likely, however, that differential investments in human capital were proving a potent source of economic inequality, both between Tolai villages and within them. For example, Epstein observed substantially increased within-village differentiation in Matupit during his return visit (1988a,26).

The growing importance of formal wage employment in the late colonial period was accompanied by changes in the rural informal economy. Some of these were related to changes in the status and ownership of traditional *tambu* shell money, whose possession in earlier colonial times was still crucial to the power, prestige and influence of male leaders and the members of their lineages. In this late period, *tambu* remained 'a measure of personal worth' for both men and women, as well as continuing to be 'intrinsic to Tolai identity' (Bradley 1982,84), but Bradley found that in Pila Pila men had largely abandoned accumulating it in favour of seeking success in the money economy. It was now left to women to gather shell-money. Indeed, in Pila Pila at least, women now possessed more *tambu* than men. *Tambu* also continued 'to thrive as a commercial medium of exchange' and it was through informal commercial dealings that women exerted themselves to accumulate it. While *tambu* could not be purchased for money, cash earned in cropping and formal employment could be marshalled by village women to finance the purchase of commodities for resale, in exchange for *tambu*. Such a series of transactions was known as *pipiai*.

As Bradley explained, *pipiai* 'differs from women's food trading [as described earlier by Scarlett Epstein] in that it takes place outside the market and the items sold are non-traditional or imported ones, sold purely for profit'. In land-short Pila Pila (where little surplus produce was available for market) 'many women now spend more time in retailing items that they have purchased for cash than they do in marketing their own garden produce' (Ibid.,110). Thus,

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

Leaving aside some prepared foods and craft goods made by vendors, *pipiai* was very largely a middleman trade in purchased commodities, conducted purely for a profit (albeit one earned by spending money to earn *tambu*). While it had some precedent in the earlier middleman trade of Matupi women in Rabaul town described by Bill Epstein, it differed greatly from Scarlett Epstein's marketplace trade. That was conducted by 'producer-sellers' whose proceeds -- whether in cash or *tambu* -- were spent largely on purchase of foodstuffs for own consumption. Earlier women's market trade was essentially hybrid, but so also was *pipiai* trade, despite its more intensive or 'business-like' character, because motives for *tambu*-accumulation were still derived from traditional Tolai values, as well as the opportunity to usurp men's dominance of *tambu* (Bradley 1982,109). Whereas Bill Epstein had suggested in 1960 that increasing monetization of Tolai life would eventually spell the disappearance of *tambu*, Bradley concluded that the growth of *pipiai* trade was falsifying that prediction (Ibid.,112). The outstanding characteristic of *pipiai* lay in its allowing the conversion of cash to *tambu*: 'It is the link not only between the two currencies but between the two ways of life that they represent, the traditional and the modern' (Ibid.,111).

This was a situation with multiple precedents. Discussing 'state' and 'local' currencies in Melanesia, Robbins and Akin referred to the experience of many groups, each possessing an indigenous currency. These had all seen 'a procession of state currencies come and go' (as, for example, the Tolai had seen the German mark succeeded by the Australian pound, then the A-dollar, and finally the PNG *kina*). These episodes gave observers the opportunity to study 'the state of play' between rival currencies, and to consider their roles in social transformation (Robbins and Akin 1999,2). Using a metaphor reminiscent of Salisbury's 'currency war' between *tambu* and mark in German times, they claimed that *tambu* 'has continually "duelled" with money ... and today remains a vital symbol of identity and autonomy' (Ibid.,33). Autonomy in Pila Pila involved women's freedom to resist the complete institutionalization of formal 'legal tender' currency, in favour of conducting much of their market economic activity using the indigenous *numeraire*. German 'victory' in the currency war of the early twentieth century was, it appears, no more than a setback for the Tolai. The persistence of *tambu* in market economic activity, after a century of monetization, should be seen as an example of stubborn informality. At the close of the colonial era *tambu* was being used for a whole category of value-adding economic transactions which were unenumerated, hence *informal*. The *pipiai* trade, in linking formal and informal currencies and serving both utilitarian and traditional purposes, was a prime instance of continuing economic hybridity in the 'modernizing' Gazelle economy.

The *pipiai* trading of 1978 was described above as 'businesslike'. This seems apt, when compared with the comportment of Tolai market-women observed by Scarlett Epstein in the 1960s (Epstein 1982). She had seen a clear continuity between Rabaul marketplace behaviour and that observed in traditional inland markets by the German colonist Parkinson in the late nineteenth century. As in that earlier trade, her vendors still affected 'indifference' to the prospect of a sale and husbands 'regarded it as bad form if their

womenfolk showed any eagerness'. Transactions were typified by 'lack of competitive spirit and absence of "sales drive"', since 'no vendor ever attempted to undercut her neighbour's prices' and bargaining was absent. In the marketplace 'one got the impression of facing a body of monopolistic sellers rather than a large number of small individual vendors in competition with each another'. (Epstein 1968, 142-44). Yet only a decade or so later Christine Bradley commented on an apparent 'change of attitude to women's marketing that has enabled women to expand and diversify their trading activities' as well as a more assertive approach to selling. *Pipiai* was emblematic of this new attitude, but even in regular marketplace trade, while 'most of the trade is still of garden produce in standard units at fixed equivalences ... nowadays saleswomen call out to attract the attention of passers-by and may lower their asking prices if a prospective buyer hesitates' (Bradley 1982, 114-15). This might seem trivial to anyone accustomed to Asian produce markets or the barrow boys of Camden Town (Epstein 1968, 142) but in the world of Melanesian women traders such change verged on the seismic, opening the possibility of progress towards a more recognizably 'Asian' mode of market dealing.

7. Conclusion: the elusive merchant class

A persistent theme of this study has been to question the implications of the failure of traditional Melanesian societies to produce an occupational class of merchants (practising Van Leur's 'trade as a specialized occupation'). A closely related issue, presented without deterministic preconceptions, has been whether this situation was unfavourable to the ready entry of New Guineans to the introduced market economy. The approach taken has been to review evidence of Tolai market economic activity and to consider plausible explanations of success couched in terms of favourable or supportive factors. In Lipton's terms Rabaul certainly was a 'lucky place' and perhaps Bill Epstein was correct to attribute Tolai successes to 'indigenous Tolai pre-dispositions', when comparing their economic performance with that of (say) the people of mainland New Guinea under German rule. Tolai experience of traditional 'secondary' trading and retrading allowed them operate with some success in the introduced market economy. This is not to endorse Scarlett Epstein's (1968) view of the Tolai as 'primitive capitalists', but merely to defer discussion of that proposition to another paper which will discuss the Highland town of Goroka. There it will be convenient to consider the views of Epstein together with those of Ben Finney (1973), who ran a similar argument concerning Gorokans in the coffee industry of the Highlands.

If middleman functions still appeared largely absent from market economic activity in the late colonial period, then the trading of Matupi market-women might appear an exception to that rule, in that they did perform some such functions. These women were not specialist traders, however, for they had 'portfolios' of other livelihood activities, commencing with

subsistence agriculture, which they combined to contribute to household welfare. At a slightly later date, there were some Pila Pila women observed by Bradley who had neither access to land nor any produce to market. These practiced *pipiai*, the reselling of purchased commodities, as a form of petty specialized trade, and should be accepted as embryonic peddler/merchants, appearing in land-short villages soon before Independence. Their reliance on third-party sources of cash, such as formally-employed family members, must be recalled as a special factor supporting their activities. This would not be available in less-advantaged communities. Certainly Bradley's research suggested a late-colonial intensification, and perhaps individualization, of trading activities fuelled by growing cash incomes. This was supported by Scarlett Epstein's report of changes in vehicle ownership; numbers of large communal trucks carrying people and goods to Rabaul market diminished between her two surveys of 1961 and 1968, while smaller family 'pickup' trucks increased, from one-third to two-thirds of the fleet, in less than a decade (Epstein 1982,94-5).

Salisbury (1970, 214) spoke of 'commercial farmers' in the 1960s, so-called because 'each "rural" village had its own individuals who specialized in producing different bulk crops for the market, and who themselves purchased from other producers the vegetables that they needed for subsistence'. However he was referring to specialization in production, not in marketing, for these individuals were examples of Scarlett Epstein's 'producer-sellers', albeit operating on a larger scale. More interesting, however, was Scarlett's Epstein's evidence of intermediary functions being performed in Rapitok, with bulking and commission-selling by some individuals. Unfortunately, she did not provide enough information for us to judge how far this constituted 'trade as a specialized occupation'. It is quite likely that under the social conditions of the Gazelle such 'wholesalers' were big-men, whose marshalling of food for market was analogous to traditional leadership in the preparation of feasts. Rather than being specialists, big-men are likely to have engaged in multiple activities, starting from subsistence and cash crop production and including interests in a range of individual and group enterprises. It is from among such people, whom MacWilliam called 'accumulators', that formal professional wholesalers might be expected in time to emerge. There is little evidence available to suggest how far this occurred before Independence, since detailed accounts of mens' trading activities are lacking for the late period.

Despite a modest profusion of 'micro and small enterprise' (to use current jargon) there was limited evidence in the late colonial period of progress to larger-scale or more specialized operations. These largely informal activities were typically small in scale, elementary in terms of management and capital inputs, sometimes tinged by illegality and with pervasive elements of hybridity. Households typically enjoyed multiple sources of income, from a still relatively secure base in subsistence agriculture, although population growth was rapid and pressure on land resources was growing. Salisbury commented that 'lack of avenues for productive investment' was an important deterrent to further business growth (a theme also taken up by Scarlett Epstein). In his experience of Vunamami, 'the progression of an entrepreneur from petty marketing, to copra-drying, to truck ownership, was one that was

readily achievable – so much so that an oversupply of trucks had already occurred and an oversupply of drivers seemed imminent’. But market forces did not appear to force people to branch out; ‘savings remained tied up in inactive bank accounts ... or were employed in duplicating facilities used only by the local community’ (Salisbury 1970, 275). The stimulus for a new sequence of Tolai economic growth (what might have become his fifth 'stage') had not yet appeared. In the 1960s, Salisbury had hoped a breakthrough to larger-scale and more sophisticated business operations would come with the emergence of new investment vehicles, operating over extended markets and mobilizing capital from wider groupings of Tolai. Amounting to a new wave of political consolidation, this would also facilitate formalization, as the term is used here. Such an innovation would require Government to devise and regulate new forms of formal business entity suited to indigenous ownership and management, giving shareholders 'security of investment equal to that which they currently obtain by their informal powers of sanctioning managers' (Salisbury 1970, 276). Such a formal legal vehicle was created by legislation in 1974 (the *Business Groups Incorporation Act*), but Fitzpatrick (1980) later alleged that 'big peasants' (a group corresponding to MacWilliam's 'accumulators') soon became prominent in these groups and used them as 'springboards' to political power.

The *urban* informal economy (as distinct from the informal economy of rural people on day-trips to Rabaul) remained small, even negligible, at Independence. Despite growing inequality in Tolai access to land, no level of rural distress had occurred sufficient to satisfy Salisbury's conditions, discussed above, for the emergence of an urban 'involution of services' in Rabaul. Van Leur's 'secondary trade', conducted by producer-sellers at the Rabaul and other marketplaces, still continued as the dominant mode of vending, but Scarlett Epstein (1982,9) was surely too pessimistic when she wrote that such markets 'do not seem to be transitional types'. In light of the account of *pipiai* trade conducted in Pila Pila, it seems reasonable to presume that further and more widespread elaboration of the rural service economy occurred prior to Independence, together with more incipient specialized trading functions and increasing economic differentiation. Bill Epstein would not have accepted Salisbury's rather adventurous 1960s generalization, in which he described the Matupi as 'urban proletarians' who could no longer produce their own food and the Vunamami as specialized 'commercial farmers' feeding the urbanites (Salisbury 1970, 214). By 1975, however, both of these characterizations were much closer to reality. The elements of what is called here 'hybridity' continued to be evident in Tolai economic activity, along with the stubborn persistence of informality. Trade as 'a self-sufficient profession' appeared to be confined to some instances of petty specialized trade amid signs of more general emerging change in trading culture.

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