

Informality's elusive thread: policy debates in late colonial Port Moresby

John D. Conroy

Abstract

Hart's informality was an elusive thread in the fabric of Port Moresby, capital and principal urban centre of Papua New Guinea (PNG) during the late colonial period, 1945-75. Commencing in the late period of preparation for Independence, a genuine PNG voice emerged in the colonial legislature and the Pangu party took power on the eve of self-government. A consultant team, the Faber Mission of 1972, was tasked to recommend policies for an independent PNG. Keith Hart, originator of the idea of the 'urban informal sector', was a team member. Hart found that economic informality, while emerging in rural areas, was largely absent from PNG towns and his account of the experience is central to this paper. The Faber Report placed informality at the heart of its strategies for development and this was adopted enthusiastically by the new government. The paper describes informality as being closely linked with another issue, the need for a modern regulatory framework for formal employment. This required efforts to break a 'Gordian knot', originating in the nexus between retarded urbanism, archaic processes of wage determination and low labour productivity. The paper deals with the ideological ferment surrounding these events and the brief and ultimately unsuccessful attempt to 'formalize the informal'. It examines the intellectual precursors of informality in PNG, the slender evidence for its existence in 1970s Port Moresby and the cultural and economic reasons for this situation. It ventures beyond the colonial period to provide a brief afterword concerning the longer-run consequences of a wages shock which occurred between 1972 and 1975.

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Conroy, JD 2015 "Informality's elusive thread: policy debates in late colonial Port Moresby" *Development Policy Centre Discussion Paper 45*, Crawford School of Public Policy, The Australian National University, Canberra.

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Keywords

decolonization, economic development, labour policy, wages policy, internal migration, urbanization, informal economy, hybridity, Papua New Guinea, Faber Report, Keith Hart, Ross Garnaut, Peter Fitzpatrick, Clifford Geertz, Karl Polanyi, Michael Todaro, H D Evers

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Table of contents

1. Introduction: the preparatory idea	2
Part A. Informality as policy	
2. The Faber Mission: ideology and policy	6
3. Hart, Faber and the informal economy in Port Moresby	12
4. Debating informality	18
Part B. Informality in the social and economic setting of Port Moresby	
5. The uneasy trio of formality, informality and hybridity	26
6. Intellectual precursors of informality in 1970s Port Moresby	33
7. The limited scale and scope of Port Moresby's informality	37
8. Why was the informal economy so threadbare?	43
Part C. Dilemmas and consequences	
9. The Gordian knot of wages policy	48
10. Urban growth and change, in the 1970s and beyond	53
11. Conclusion	60
Bibliography	62

Note: This paper is the latest in a series concerned with the idea of the informal economy and its application to colonial Papua New Guinea. Since it is not entirely a 'standalone' paper, the reader will find frequent references in the text to my earlier papers. I apologise for this but have done so to avoid repeating arguments made previously. The full set of papers can be found at <http://ssrn.com/author=1789610>.

1. Introduction: the preparatory idea¹

After visiting Papua New Guinea (PNG) in 1963, Bernard Schaffer warned 'how ... dangerous it is to suppose that development must actually be the more or less satisfactory working out of transferred Western models'. An extreme version of that supposition was what he called 'the preparatory idea', a notion of 'laying the foundations ... for a Western model' of administration (Schaffer 1963, 45). He commented that practice in Africa and elsewhere, perhaps a generation ahead of PNG, provided little evidence of any such 'preparation' until very late in the colonial day. Talk of preparation was most often a 'ploy' for delay. 'The colonial polity was essentially bureaucratic' and 'colonial government was dominated by the secretariat [whose] aim was efficiency', leading to 'the growth of technical departments, not to the growth of the roots of independence' (*Ibid.*, 52). Indeed, as another commentator pointed out, 'the fact that the transition did proceed with minimum disruption owed little to Australian forward planning, but a good deal to the durability and penetration of its administrative structures and techniques' (Mortimer 1979, 205). These observations should be kept in mind when considering the preparatory measures of the late colonial period in PNG, as should the internal contradictions of a process by which an expatriate bureaucracy was expected to prepare the way for its own replacement.

In 1964 an appointed Legislative Council with only three indigenous representatives was replaced by the PNG House of Assembly. This was a unicameral parliament, elected by universal adult suffrage and with an indigenous majority, albeit one lacking either parliamentary experience or coherent political objectives. This allowed it to be dominated by the small number of nominated 'official' (Administration) members. Multiracial political parties began to coalesce outside parliament during that first term, notably the nationalist *Pangu Pati*. It achieved representation at the 1968 election, although European 'official' members continued to hold sway in the House, with the

¹ I am indebted to Ross Garnaut, Andrew Elek and John Langmore for discussions about this paper, while stressing they are not responsible for judgments it contains. Others whose support for my larger project is appreciated include Ron Duncan, Stephen Howes, Bill Stent, Bill Standish, John Cox, Mike Bourke, and Bryant Allen.

acquiescence of nominally-independent indigenous 'Ministerial members'. None of these were from Pangu, which stood aloof from the process. After the 1972 national election Pangu, under the leadership of Michael Somare, emerged as the largest parliamentary party and was able to form a majority coalition on the eve of self-government.

During the term of the second House economic policy remained essentially in the hands of unelected officials, who continued to pursue the logic of 'accelerated development' on instructions from Canberra. From a macroeconomic standpoint this produced impressive results. Bearing in mind data limitations at the time, between 1966 and 1970 total output in the combined monetary and subsistence sectors appears to have increased at an annual compound rate of 9.3 per cent (and, for the monetary sector alone, a galloping 15.6 per cent) (Shand 1971, 54). In 1966 'subsistence' activity still contributed about half of total domestic output and some 44 per cent of population (nearly one million people) remained wholly engaged in the subsistence sector. Another 37 per cent remained active in subsistence production while operating in a 'transitional' sector with at least some cash income. Rapid rates of measured economic growth suggested the probability of significant further reduction in the numbers of those wholly dependent on subsistence by 1970, as well as an increasing share of population in transition to fully-monetized economic activity (*Ibid.*, 56). The driving force behind these changes had been 'the large and escalating scale of the Australian grant and the direct expenditure of Commonwealth departments and instrumentalities' in PNG. From 1969 this was reinforced by construction activities on the Bougainville copper project (*Ibid.*, 58). The macro-economy was experiencing rapid growth and, on the surface at least, beneficial structural change.

The last important expression of accelerated development was a *Development Programme* (TPNG 1968) which aimed primarily at reducing reliance on Australia, for which purpose it was thought growth should be maximized. John Langmore described it as being 'the first document resembling an economic plan published by the Administration'. He dismissed it as being no more than 'indicative' planning, for it was simply 'a framework for public sector expenditure' with a wish-list of private sector initiatives and considerable internal inconsistencies. Most damning of these was that while it paid lip-service to indigenous participation its strategy continued the policies

which had exacerbated expatriate economic domination (Langmore 1972, 12-13). Shand judged these policies had 'brought substantial monetary benefits to the local population in absolute terms (if unevenly) but it has primarily benefited expatriates' (Shand 1971,70).

Total monetary sector income rose from \$80m to \$300m between 1960-61 and 1969-70. At the same time the income-share between indigenes and expatriates moved in favour of the latter, from 37.5 per cent/62.5 per cent to 32.0 per cent /68.0 per cent, respectively. This imbalance, becoming 'progressively more pronounced during the 1960s', suggested that 'Papuan and New Guineans have lost ground in terms of their relative economic influence during the period despite a growth in the absolute level of their involvement in the monetary sector' (*Ibid.*,73). Inequality had also another aspect, for such gains as were made by local people were unevenly distributed among them, on a regional basis. This was a logical outcome of the selective regional allocation of investment resources under accelerated development, reflecting differences in natural resource endowment and also historical factors.

In terms of wage incomes, inequality at any given time could be explained in terms of numbers of workers and their relative earnings. In 1967-68, for example, the indigenous proportion of the monetary sector workforce was 90 per cent, and the wage ratio 1:11, making it possible for the 10 per cent of expatriates to earn 54 per cent, and the 90 per cent of indigenes only 46 per cent, of total wages paid (*Ibid.*, 81). Further, over the whole decade a shift in aggregate income occurred, away from wages and primary production in favour of non-wage incomes, especially company incomes. This, in a situation where 'the manufacturing, building and construction, transport, storage and communication, commerce, finance and property industries ... are largely or wholly in expatriate hands', while serious efforts at promoting indigenous interests were confined largely to the public sector and rural industries (*Ibid.*, 84-5). Ross Garnaut summed up the situation confronted by the first Somare government in 1972:

'Foreigners owned nearly all modern sector enterprises and supplied most skilled labour and management. Three-quarters of domestic expenditure was on imported goods. Australian aid exceeded twice the value of revenue collected by the government and provided the main impetus to growth. Money incomes

differed vastly between regions because of difficult terrain and uneven resource endowment and between the two percent of foreigners who had most of the money income and the rest of the population' (Garnaut 1980, 447).

Shand, though a conservative economist and trusted advisor to the colonial administration, felt bound to point to 'the emergence and growth of economically-based social and economic tensions within the community'. As against that, he also stressed the continuing adequacy of traditional subsistence production as 'a basic structural factor which has had a positive stabilizing influence on the national economy and indeed on developing national politics' (*Ibid.*, 56-7). This observation reflected his close working relationship with Fred Fisk in defining and elaborating the idea of 'subsistence affluence', and their belief in its underpinning role in PNG economy and society (Conroy 2012b).

If Shand was emollient in emphasizing inherent stability rather than the potential for disruption, his account is nevertheless essential to understanding the economic circumstances inherited by Pangu in 1972. As to remedying the difficulties, he warned both of the magnitude of the task ('many areas of economic endeavour are totally unfamiliar to the local population') and of a timing problem ('the pace set for development is currently too fast to allow for a natural process of familiarisation and growth of participation') (*Ibid.*, 86). Shand's account of rapid formal sector employment growth during the 1960s was coupled with his belief in the existence of a floor to urban livelihoods, provided by an affluent rural subsistence sector. We may see this as explaining Port Moresby's capacity to maintain the essentially formal character of its labour market during this period, despite increasing freedom of entry to the town for migrants. His account of indigenous commercial agriculture also pointed to the growing influence of cash on the lives of rural people. He described them as occupying a 'transitional' position in the economy, suggesting the emergence and growth of a rural informal economy, and the tug of rural economic opportunity as an alternative to urban life.

On the eve of self-government Ross Garnaut wrote that, during the 1960s, 'a growing domestic market, growth in domestic labour skills and greater knowledge of the country's natural resources have greatly increased the number of industries that could

be included in an efficient Papua New Guinean economy'. It seemed reasonable to expect greater economic diversity to develop on these foundations (Garnaut 1973, 162). Diversification was certainly needed. As Anthony Clunies Ross pointed out, 'viewed as a national economy', PNG was 'one of the least internally integrated' (Clunies Ross 1971, 473). Almost a decade later Garnaut recalled, somewhat ruefully, that PNG had possessed 'none of the characteristics of a national economy when the first Somare government was formed in April 1972'. Nor did the self-governing State get off to a flying start; commencing with the ineffective institutions and processes of the colonial period it took five years for 'an effective PNG framework for economic policy-making' to emerge (Garnaut 1981, 157). John Langmore, then a public servant, recalled progress being constrained by the limited planning and budgeting capacity of an Administration only recently freed from Canberra's micro-management, and by continued adherence to notions of accelerated development (Langmore 1972). Among the reasons for this slow beginning was an earlier culture of economic management derived from Australia's own 'heavily modified' model of economic liberalism and typified by 'rather un-coordinated intervention carried out by a variety of agencies'. Australian bureaucracy was attempting to fashion a soon-to-be self-governing PNG in its own image. As John Ballard later commented, '[t]he first coalition government of 1972 inherited an administrative apparatus whose 'bureaucratic and assimilationist style was well established' (Ballard 1981a, 11).

Part A. Informality as policy

2. The Faber Mission: ideology and policy

This study employs a dynamic derived from Keith Hart's notion of *informality*. As a shorthand for this dynamic I have used the metaphor of 'pushback' to describe the economic behaviour of individuals reacting against bureaucratic orthodoxies. We could regard PNG's short period of self-government between 1972 and 1975 as having been characterized by a similar reactive dynamic, albeit one operating at a higher, more explicitly political, level. It took the form of negative reaction by an incipient political class against the 'bureaucratic' and 'assimilationist' preparations of an expiring colonial administration.

From the 1960s, accelerated development had served to intensify social and economic tensions. To employ Polanyi's metaphor, inequalities arising during this last phase of colonialism were causing livelihoods and social relationships to become increasingly *disembedded* from the traditional social matrix (Polanyi 1944). Events in PNG seemed to mirror the experience of such upheaval elsewhere, typified by 'multiple forms of dispossession', ranging 'from the material, to the socio-cultural and the moral' (Hann and Hart 2011, 136). In PNG From the late 1960s there emerged a number of what Ron May described as a 'proliferation of spontaneous local movements, differing in their origins and specific objectives but sharing a broad concern with the achievement of economic, social and political development through communal action' (May 2009, 48). Levels of consciousness and the causes of discontent differed from place to place, with urban sophisticates concerned about racial inequality and access to decision-making while rural people were more often exercised by regional disparities and limited access to government services. Such tensions, communicated to parliamentarians who added their own gloss in Port Moresby's party-room debates, inspired political pushback against the late-colonial orthodoxy. This may be seen as an instance of Polanyi's 'double movement', the impulse to *re-embed* morality, culture and livelihoods in a notionally 'traditional' society².

Such was the *zeitgeist*, and the political changes it inspired would be dramatic. Speaking of the second parliament (1968-72) Ross Garnaut recalled that, aside from predictable demands for 'increased incomes and for government services in members' own electorates', parliamentarians were particularly concerned about inter-racial income inequality. Demands for greater indigenous participation in high-level decision-making also grew over time, while urban unemployment was frequently debated (Garnaut 1973, 165). Occasional calls were made to repatriate the unemployed though in fact the situation was not particularly severe. In any case, these concerns were not woven into a coherent narrative; a catalyst was needed to give point and direction to collective

² 'Karl Polanyi's idea of the "double movement" ... sees capitalist history as moving in cycles: periodic "disembedding" movements, when the individualising logic of the market becomes unmoored from its social foundations, will be followed by "re-embedding" movements, when society resubordinates markets to the public good' (Konings 2015)

discontents. Inspired by Polanyi's insight, this account will consider the catalytic opportunity presented by the *Faber Report* (ODG 1973).

Without, perhaps, being able to articulate a critique, many parliamentarians associated the various manifestations of inequality and disconcerting social change with policies of accelerated development. Amid such uncertainty an alternative, even antithetic, philosophy proved unexpectedly appealing. This is not to suggest that enthusiasm excited by the Faber Report was either universal or long sustained, but rather that a particular serendipity marked its timing and reception. Keith Hart, a member of the Faber Mission, recounted meeting the Somare cabinet in August 1972, after it had received the Report. As he recalled, 'the prime minister [sic] said, "Gentlemen, before you came, we only knew of one model for development. Now we know there are at least two" (Hart 2002). The account is credible, having been reported in like terms by an observer then close to the Chief Minister's Office (Fitzpatrick 1985,22). Hart's account of the Faber Mission, ever-so-slightly vainglorious and certainly played for laughs, is very helpful in explaining the Report's commissioning, reception and impact. As Hart recalled, some thirty years later,

'I was recruited to a team, commissioned by the World Bank acting as executive agency for UNDP ... to draw up a development programme for Papua New Guinea on the eve of independence. It was headed by Mike Faber, a general economist [with Hart and two other economists]... We spent three months in Australia and PNG during mid-1972, wrote a preliminary report and returned in 1973 for discussions with the newly elected Pangu party government of Michael Somare³. The second time around we were reduced to two since the agriculture and mining experts had dropped out, possibly fearing that their consultancy careers would be wrecked by what one of them described as the lunacy advocated by Faber and Hart' (Hart 2002).

As to the context of the Mission,

³ Hart's recollection appears mistaken here. The return visit occurred in August 1972 when Somare was indeed 'newly-elected'. Other internal evidence in Hart's account also supports this earlier date.

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

The team's proposals to change this situation encountered opposition:

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

By the time Faber and Hart returned to meet Somare in August 1972 the draft report had been circulated and leaked to the Press. Officials of the World Bank and OPC (the agency responsible for the 1968 *Development Programme*) now seemed anxious to cooperate (*Ibid.*) perhaps because a White Paper, effectively the last gasp of accelerated development, had been rebuffed in the parliament in June. Seen as 'an effort to outflank Faberism', it had been trumped by another, Faberite White Paper, tabled soon after it (Fitzpatrick 1985, 24). Tony Voutas recalled that a small working group, 'mainly non-public servants', was deputed by Somare to draw on the Report to work up a draft set of policy aims. 'Quite deliberately', because of Cabinet's distrust of the expatriate old guard, 'there was almost no consultation on these aims with senior [expatriate] public servants'. 'By imposing policy guidelines on the public service, the Somare Ministry was democratizing government' (Voutas 1981, 36).

Schaffer's 'essentially bureaucratic' colonial polity was turned on its head. By year's end OPC and its Director were gone, a platform of 'Eight Aims' based on the Faber Report had been announced, and a new Central Planning Office was gearing up to implement it. In the following February the House 'took note' of the Report and endorsed the Eight

Aims as 'the basis for economic planning in the coming years' (Hegarty 1998 [1973], 186). The Report and the Eight Aims, together with the Preamble to the PNG Constitution, were crucial to the official recognition of economic informality in PNG. The Report adopted Hart's 'informal sector' construct as its primary vehicle for increasing participation by Papua New Guineans in the monetary economy, and the Eight Aims were suffused with concepts supportive of the informal sector.

Except for considering the Eight Aims in relation to informality, this study will neither examine them in depth nor score government's performance in realizing them. In brief, however, the Aims called for rapid increases in the control of Papua New Guineans over the economy and in the proportion of income received by them, as well the more equitable distribution of economic benefits. Locally-generated revenues would finance a growing proportion of government spending, while economic activity, planning and government expenditure would be decentralized. Dependence on imported goods and services was to be reduced, small-scale business activity encouraged, participation of women in economy and society fostered and (more generally) government would play an active role in the economy, in terms of involvement and control, to achieve national goals.

This philosophical framework, seen at the time as one 'of self-sufficiency, reduction of social and economic inequalities and economic control in the hands of nationalists' (Hegarty 1998, 165) commended itself to PNG political leaders and to at least some elements within the public service. Far from frightening the horses, the Aims were seen by Ross Garnaut as 'expressed in gradualist and reformist terms and clearly not 'foreshadow[ing] a sudden, radical restructuring of society' (Garnaut 1980, 448). His rebuttal of radical critiques of Faber and the Eight Aims and account of government performance through the 1970s (Garnaut 1980, 1981) is authoritative. That ground will not be traversed here, except insofar as it is relevant to policy and practice affecting the informal economy during the period.

In Hart's list of the Faber Report's antagonists there was no mention of the Australian Treasury, whose officers had been so helpful in the Canberra briefings. Hart found the experience instructive:

'The main lesson ... concerned the fragmentation and disunity of bureaucracies ... In this case, although the principals in the mainstream institutions were ready to defend the status quo, others anticipated taking their place as a result of the Australian election and were prepared to support us. This was particularly true of officials from the Commonwealth Treasury who, it transpired, were the source of our appointment in the first place ... Generally consultants legitimise decisions taken already; but sometimes an opportunity arises to make a difference, however small.' (Hart 2002)

Bougainville Copper was returning profits of a magnitude unforeseen by the colonial administration. Fitzpatrick (1982, 215) concluded that 'the Australian government was willing to see more of this surplus going to the PNG state as this would help ease the former's heavy aid commitment'. Perhaps some doubted the future political stability of an independent state continuing on the trajectory of accelerated development, courtesy of a minerals boom whose benefits were distributed inequitably. When the Report was first circulated David Hegarty had no doubt that it 'captured the imagination of many Cabinet and private members' (*op. cit.*, 165), but before long a degree of ambivalence emerged, reflecting disparate elements within the governing coalition. It became apparent that the Eight Aims were contrary to the 'entrepreneurial ambitions' of some ministers, although their 'pseudo-socialistic overtones' continued to be 'acceptable at the level of public rhetoric' (Voutas, *op. cit.*, 46). Mark Lynch, Cabinet Secretary 1972-77, believed that 'the evolution of the ... Eight Aims ... was probably the closest the Ministry came to expressing a general ideological stance'. Otherwise the open contest of ideas was muted by 'the unstated knowledge' that Cabinet consensus was 'too fragile to withstand deep ideological debate' (Lynch 1981, 31). This fragility, and the divergence of opinion at its core, would prove to have implications for many objectives based on the Eight Aims, not least the objective of stimulating informal activity with which this account is concerned. In practice, the policy focus was directed elsewhere: 'in response to an extraordinary concentration of income and wealth in the hands of a small expatriate community, redistribution of high-income employment and business ownership from expatriates to Papua New Guineans was the one distributional focus of the Eight Point Plan to be pursued vigorously and effectively' (Garnaut 2000, 32).

3. Hart, Faber and the informal economy in Port Moresby

Keith Hart first introduced the idea of informality publicly in 1971, at a conference on *Urban unemployment in Africa*.

'I argued that the Africans I knew, far from being unemployed, worked for irregular and often low returns. I combined vivid ethnographic description ('I've been there and you haven't') with some impressive-sounding economic jargon that I had worked out in conversation with my academic colleagues.... and I became known as the author of a whole new segment of the division of labour in development studies.' (Hart 1994)⁴

The immediate and largely positive reception given Hart's ideas in Washington and Geneva was almost certainly due to a panicked climate of opinion then prevailing, among some international agencies and academic economists, concerning a supposed epidemic growth of 'open' urban unemployment. A collection of essays edited by Richard Jolly (Jolly et al. 1973) conveys this climate to today's reader, presenting somewhat alarmist statements about urban unemployment. Setting the tone, Jolly's editorial introduction asserted that

'[U]nemployment is increasingly emerging as the most striking symptom of inadequate development in most countries of the Third World. In many countries, open unemployment in the urban areas now affects 15-25 per cent of the labour force and often much higher percentages of persons aged fifteen to twenty-four. Even larger fractions of the labour force, urban as well as rural, are underemployed...' (*ibid.*, 9)

By contrast, in his contribution to the same volume, John Weeks (1973) deplored the 'tidal wave' of ill-conceived estimates and projections of open unemployment then circulating in the international literature. These depended on defining 'employment'

⁴ Hart continued: 'Even more remarkable, despite the number of competing labels (second, hidden, underground, black etc.), the 'informal economy' has become the term of choice in the economics and sociology of industrial countries'.

exclusively in terms of formal sector jobs. Hart's contribution to this debate, by pointing to the nature, extent and value of informal economic activity, assisted greatly in reframing the issue. It crystallized a new understanding, expressed in terms of the lack of sufficiently remunerative urban *income-opportunities*, whether formal or informal, as distinct from a notion of open unemployment due to the absence of 'jobs'.

The Faber Report's recommendation that an indigenous informal economy should be encouraged found a receptive audience among economic nationalists in PNG, while the idea of the *informal sector* -- as it was originally called -- achieved a degree of influence, at least at the level of rhetoric, on early planning priorities. The idea also found its way into the constitution of the new State (Papua New Guinea 1975), which was drafted with several clauses implying the duty of government to support and encourage informal economic activity. These appeared in a set of 'National Goals and Directive Principles', derived substantially from the Eight Aims. The goals and principles were attributed by one commentator to John Momis and Bernard Narakobi, members of the Constitutional Planning Committee (CPC), and Peter Fitzpatrick, an advisor in Somare's office (Kari 2005, 244). Tos Barnett was in the same office and was responsible for relations with the Committee. As he recalled, '[i]n the CPC view, nearly all matters concerning government organization and functions and economic and social development were intended to be influenced by the wording of the Constitution and the spirit behind it' (Barnett 1981, 64)⁵.

In the *Preamble* to the Constitution, among the *National Goals*, and in relation to 'integral human development', there is a call for 'development to take place primarily through the use of Papua New Guinean forms of social and political organization'. Recalling constitutional debates of the early 1970s and public discussion at the time, I have no doubt that this form of words was intended to promote a model of development in which informal economic activities would play a leading role. Further, the Preamble calls for 'the family unit to be recognised as the fundamental basis of our society', and for 'every step to be taken to promote the ... economic and social standing of the

⁵ The Constitution, with the Preamble containing the 'National Goals and Directive Principles', is online at http://www.wipo.int/wipolex/en/text.jsp?file_id=199188

Melanesian family'. This recognises the household, which is at the centre of the informal economy, together with its need for economic independence and the social standing flowing from that. Finally, support given to the informal economy in the Preamble is confirmed by a further call, made under the heading of 'Papua New Guinean ways'. It is an appeal for 'particular emphasis in our economic development to be placed on small-scale artisan, service and business activity'.

When Hart came to PNG in 1972 it was among the first countries in which his newly-minted 'informal sector' (Hart 1971, 1973) was introduced into policy discussion. Oddly enough, as argued here, it was among those developing economies to which the concept was least applicable at the time. Hart was optimistic that his ideas would have value for orthodox development planning (Hart 1970) and this would become evident from the tenor of his contributions to the Faber Report. On arrival he had been taken aback to discover that informal economic activity appeared conspicuous only by its *absence* in PNG's few small towns. Some informal food marketing was observable -- as, for example, at Koki market in Port Moresby -- but this was still only a small proportion of urban household budgets. The Report commented that 'although the *rural* informal sector shows signs of becoming well-developed in Papua New Guinea, urban artisan and service activities are as yet virtually non-existent' (ODG 1973, 4.11, emphasis added). This reference to 'artisan and service activities' appears to have been picked up by the drafters of the constitutional Preamble (cited above).

The Report's observation was doubly interesting, first because it identified a structural gap in the urban economy of PNG -- the absence of a category of economic activity significant elsewhere in the developing world. But secondly it extended the idea of informality to the rural economy, whereas Hart's previous accounts of an informal sector, in Ghana, were very largely urban-focused. The formal/informal distinction was central to the Faber Report's approach, and this shows in its categorization of the PNG economy as comprising a modern or 'formal' sector and an 'informal' sector, the latter embracing 'smallholder agriculture (both cash cropping and subsistence production) and many other small-scale activities in town and country' (ODG 1973, 4.2). This formulation folded indigenous urban and rural, subsistence and cash activities, all into a single 'informal' bundle. While Hart's ideas were influential in framing the Report it is possible his colleagues, rather than Hart himself, favoured extending the concept to

rural activities -- even including subsistence production. I suggest this because Hart's own view of subsistence agriculture, seen later in his *Political Economy of African Agriculture* (1982), does not permit such an interpretation⁶. He might have gone on to give more attention to rural economic activity had not the success of the 'urban informal sector' taken his career in a different direction.

The Faber Report's judgment that urban informality in PNG was insignificant in 1972 reflected a degree of foreign domination of the contemporary urban economy which extended to very nearly the lowest rungs of commercial activity. Indigenous participation in the monetized economic life of towns was limited largely to *formal* employment at regulated minimum wage levels. Short-term circular migrants, among whom men predominated, made up the bulk of job-seekers. At the time, I argued that the absence of a third, 'unprotected sector', of informal employment in PNG towns meant that *open* unemployment, such as is found in industrial economies, typified PNG urban labour markets, notwithstanding their underdeveloped status (Conroy 1973). This made the two-sector analysis of urban unemployment by Todaro (1969) more applicable to PNG than to Asian or African cities with substantial informal economies (Conroy 1974; 1976, 61-64; 1982a, esp. pp.13-14). This hypothesis was tested in the 1973/74 PNG Urban Household Survey (Garnaut *et al.* 1977, esp. pp.7-10). With some qualifications, a significant positive relationship was established between the mean earnings of unskilled male migrants and three separate measures of unemployment across all PNG towns. Again, the study found a significant positive relationship between statutory minimum wages and rates of open unemployment among low-skilled males, across the towns. These findings tended to support the idea, derived from Todaro's original model, of an equilibrium rate of urban unemployment appropriate to a particular differential between urban and rural incomes (*Ibid.*,183).

In Port Moresby and other towns the primary objective of unaccompanied male migrants was to secure employment in the regulated, or formal, economy. Pending this they lived for the most part in open unemployment and were supported largely by transfers in cash and kind among kinfolk, with little informal economic activity (Garnaut

⁶ See Conroy (2012b, sections 10 and 11). Also for the concept of rural informality see Conroy (2013c).

et al. 1977, ch. 6). Grumbling about unemployment in Parliament probably owed more to discontent in urban households obliged to support these *pasienda*⁷, and to concern in rural areas about the absence of able-bodied men, rather than to any suffering experienced by the unemployed themselves. Men could not remain unemployed for long without continued support of relatives and friends, nor could they afford to have women join them in town. As seen in my account of Port Moresby settlement life (Conroy 2015a), and illustrating the mechanism underlying Shand's belief in the existence of a floor to urban livelihoods, many *pasendia* eventually found it necessary to return home. So long as they did not fall into the categories described by Ross Garnaut as either 'trapped' or 'dispossessed' (Garnaut 1973, 174) migrants with the alternative of returning to a relatively affluent subsistence sector were not willing to resort to the unfamiliar and uncongenial option of informal economic activity (Conroy 1974a). However, as shown by the results of the empirical test of my Todaro hypothesis by Garnaut and his colleagues, the time such men took before returning home was influenced by the level of urban wages and by their probability of gaining employment (as signalled by the rate of open unemployment).

A 'normalized' population structure, showing due representation of families with women and children, was emerging slowly in urban areas. In Port Moresby, the 1971 national census data indicated that in-migrants formed more than 60 per cent of the indigenous population, (more than 90 per cent if migration from rural areas of the Central district was included) (Skeldon 1979, tab 7.39). Sex ratios were becoming more balanced as families formed; the ratio of men to women, 282/100 in 1961, had improved to 159/100 by 1971. This improvement notwithstanding, such a rate of masculinity still indicated retarded urbanism, prolonged by continuing in-migration of unaccompanied men from newer sources. The sex ratio varied among ethnic groups; for people born in Port Moresby subdistrict it was nearly equal ('normal') while among people from the four highlands provinces it was 577/100. Such high masculinity

⁷ *Pasienda* (*Tokpisin*, 'passenger'), one who is accommodated in a household while job-searching or visiting. *Pasendia* generally wear out their welcome after some period and are obliged to move on.

reflected the recency and rapid increase of highlander migration⁸, their proportion of the capital's population having risen from 4.4 per cent in 1966 to 9.1 percent in 1971⁹ (Oram 1976a, 160).

In a nation-wide review of circular migration patterns, Richard Curtain and I posited a continuum of migration, ranging from (at one extreme) places whose people displayed high propensity to migrate and low degree of circularity in migration to (at the other) places whose people showed low propensity to migrate combined with high circularity (Conroy and Curtain 2012)[1985]). This corresponded with reality in Port Moresby, as shown by two urban populations -- *Toaripi* and *Chimbu* -- at either end of the continuum. These are discussed in my account of the city's 'squatter' settlements (Conroy 2015a). Toaripi settlers (Ryan 1977) were at the stable end of the continuum, in terms of demographic structure, housing and employment. They were long-established and seldom returned to their rural homes other than for short visits. By contrast the Chimbu (or Gumine) people of Ragamuka were at the other extreme: highly masculinized, living in the city's most disadvantaged settlement with a short history of urban life, relatively few formal jobs and frequent comings and goings. Speaking of the urban household survey, Garnaut and colleagues (1977,185) commented that 'the most disturbing evidence ... was the very low wage levels and employment rates that Chimbu migrants appeared to be prepared to endure, even when they maintained close links with home villages'. It is not surprising that in Ragamuka Hugh Norwood (1979, 1984) found perhaps the greatest community reliance on informal economic activities anywhere in Port Moresby at the time. While formal employment was the mainstay of livelihoods elsewhere in the city, the insecure existence of these Chimbu settlers pointed to an unpromising future, likely to be shared by a growing proportion of urban residents in the era of Independence.

⁸ Accounts of highland migrant communities in Port Moresby in the period include those of Strathern (1975), Salisbury and Salisbury (1977) Whiteman (1973).

⁹ While there are strong suggestions of urban over-enumeration in the 1971 census (Walsh 1984, and section 11, below) the measures cited in this paragraph are not particularly sensitive to that short-coming.

4. Debating informality

In an early account of the Faber Mission, Keith Hart owned to the intellectual transformation he was experiencing: 'like many others in the early 1970s, I was undergoing a conversion to French Marxism' (Hart 1994). Describing the context, he recalled:

'The world turned for the worse in the 1970s and the other side in the Cold War gained a lot of intellectual credibility as a result. French structuralist Marxism and underdevelopment theories coming out of Latin America and the Middle East achieved widespread circulation among Anglophone economic anthropologists at this time' (Hart 2007).

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

There were also Marxists in the University, and on the fringes of government, including the Office of the Chief Minister. Like Hart, Peter Fitzpatrick was in transition, for Port Moresby, however remote from the Parisian hotbed, was not exempt from the *frisson*. Possession of a copy of Althusser's *Pour Marx* or Althusser and Balibar's *Reading Capital* was as clear a claim to progressive thought at UPNG as it was on the Left Bank and French Marxist anthropology 'enjoyed cult status' in this period (Hart 2007). Marxists were inclined to dismiss the informal sector, on the principle that 'its proponents

mystified the essentially regressive and exploitative nature of this economic zone, which they preferred to call “petty commodity production” (Hart 2006).

Peter Fitzpatrick, by contrast, seized eagerly on the Faber Report and the idea of informality. In later years he would see this as a delusion he had suffered, for little reason other than that it 'fitted and supported the merely populist basis of my research' (Fitzpatrick 1980, viii). This was an error because the Faber Report had 'encouraged the emergence of a populist ideology', encapsulated in the 'anodyne' slogan, 'Papua New Guinea ways' (*Ibid.*, 202) and because 'the espousal of populist notions [is] not enough to bring about fundamental change' (*Ibid.*, 204). He would come to accept the negative Marxist view of petty commodity production and to see the Faber approach as 'riddled with insoluble difficulty' (*Ibid.*, viii). Faber and Hart had been mistaken to suggest 'that greater Papua New Guinea participation in the economy could be based on elements of the traditional mode'. To do so would amount to supporting *the preservation of village life*, (the policy underpinning British and Australian administration of colonial Papua) (Conroy 2014c). Capitalism 'made for the conservation of traditional modes of production because they served to subsidize capitalist production and to counter potentially disruptive class formation' (Fitzpatrick 1980, 2). This idea, that under a system of indentured labour for unaccompanied men villages effectively subsidized the plantation sector, originated with Belshaw (1957) and Rowley (1965) (Conroy 2015a). Fitzpatrick (who must have been aware of the latter, if not both) preferred to attribute it to an ideologically more congenial source, the French neo-Marxian anthropologist Claude Meillassoux (1972).

To see the significance of the 'traditional mode' in Fitzpatrick's evolving thought it is necessary to understand the influence of Althusser and Balibar's *Reading Capital* on his generation. That text

'produced a reading of *Capital* that divested it of any residual elements of Hegelian philosophy and ... [t]he phenomenology of the human subject, the dialectic and indeed history itself were in effect dropped from their scheme. In their place a deep structure of *the ideal mode of production* was outlined, having three elements –producers, non-producers and means of production – whose

variable combination was realized as concrete modes of production' (Hart 2007, emphasis added).

For PNG, the most complete elaboration of this conceptual framework is found in Fitzpatrick's *Law and State in Papua New Guinea* (1980) while *Development and Dependency* (Amarshi et al.1979) is perhaps the best-known example of 'underdevelopment' theory. For UPNG the zenith of academic neo-Marxism may have occurred when Andre Gunder Frank accepted an invitation to interview for its Chair of Economics in 1976. Its decline probably commenced on the day when, having met his potential colleagues, he rejected the University's offer.

If Hart had ever toyed with these modes of thought it was well behind him by 1982, when his *Political Economy of West African Agriculture* appeared. In that study he rejected both 'the neo-Marxist literature on underdevelopment' and the elaborate machinery of French Marxist Anthropology, in favour of a return to 'the tradition of classical political economy, both liberal and Marxist' (Hart 1982, 15-17; see also Conroy 2012b)¹⁰. Hart remains an eclectic Marxian, but as for French Marxism of the 1970s, it 'disappeared as suddenly as it had burst on the Anglophone scene. It did not survive the great watershed of post-war history, when social democracy gave way to rule by neo-liberal conservatives ... ' (Hart 2007). Bringing the story up to date, and in a remark that third parties might take as applying to Fitzpatrick, Hann and Hart (2011, 77) commented that 'in recent decades, the torch has been taken up by isolated individuals in the English-speaking countries, but their voices do not add up to an intellectual movement'.

¹⁰ In regard to 'underdevelopment' theory Hart said that 'I reject the notion that forces emanating from the world economic system determine the relative backwardness of West African economies'. While acknowledging Samir Amin's contribution Hart was critical of his emphasis on 'the extraction of value from underdeveloped areas by metropolitan capitalism' at the expense of inadequate attention to 'internal social processes of economic and political mobilization', while often failing to conduct 'a realistic appraisal of local conditions and history' (Hart 1982, 15-16).

During his Port Moresby years Fitzpatrick collaborated with Loraine Blaxter to pursue a vigorous campaign in support of government initiatives to stimulate informal economic activity and for the removal of a raft of regulatory impediments to it. In 1973 Chief Minister Somare announced 'a thorough review of all current legal restrictions', to 'make it easier' for Papua New Guineans to engage in informal economic activities (Fitzpatrick 1980, 242). That year they prepared papers announcing *A New Strategy for Development* and dealing with a wide range of activities and restrictions (Blaxter and Fitzpatrick 1973a, 1973b). Activities discussed included 'liquor trading, passenger motor transport, street trading and marketing and small scale enterprises' (Walsh 1983, 415). They listed a catalogue of impediments to economic informality, including 'penetration of expatriates into areas that are normally confined to the informal sector', 'comprehensive domination by expatriate interests of most areas of retailing and services', and 'a plethora of laws' which effectively debarred indigenous participation' (Blaxter and Fitzpatrick 1973b,5).

In arguing the necessity for regulatory intervention, Blaxter and Fitzpatrick explicitly dismissed the notion of subsistence affluence -- Shand's 'stabilizing influence' -- as a constraint on the will of unemployed urban dwellers to engage in arduous and low-paid informal livelihoods (Blaxter and Fitzpatrick 1973a, 9). The garbage-scavenging Chimbu people of Ragamuka were among the few concentrations of such desperation to be found in the capital at the time. These were the people, from a non-'affluent' district and ill-equipped for formal employment, whose tenacious grip on city life had so disturbed Garnaut and his colleagues. I entered the debate (Conroy 1974a) to argue that the binding constraint on the willingness of most urban dwellers to 'hustle' in such a manner was, indeed, the state of subsistence affluence in their places of origin. While not denying the influence of restrictive regulation¹¹, I claimed that rural affluence (in the sense Fisk used the term) set a baseline for the levels of real income and physical exertion which most migrants were willing to tolerate. So long as rural societies remained affluent this constraint would continue to operate. But 'affluence' was a time-

¹¹ This was undeniable; for example, 'under a law requiring the registration of pedlars, 95% of the licenses issued in the capital in 1973 were held by foreigners, often employing nationals' (Fitzpatrick 1980, 176).

bound condition, liable to be eroded by rural population growth (Fisk 1962; Conroy 2012b). To be fair to Blaxter and Fitzpatrick it is necessary to point out that the attitude of the Faber mission towards subsistence affluence might be best described as 'politely sceptical'. Their report did not confront 'affluence' directly; the views of its members manifest instead as a series of *obiter dicta*, appearing in discussion of related issues. Some of these judgments appear to derive from vulgarized conceptions of 'affluence' (for the term had already entered the language) rather than the cautious and qualified Fiskian original. Faber & Co. did not characterize the development process for PNG in terms of a 'transition from subsistence' nor did they regard 'pure' subsistence as a concept of any utility for the PNG of 1972. Their categories were different (ODG 1973; Conroy 2012a).

I may have been too critical of the 'romanticism' I found in Blaxter and Fitzpatrick's advocacy (Conroy 1974a). They had claimed that,

'because the economic activities of the informal sector are social and "culturally embedded" ... Papua New Guinean forms of interaction can find expression more readily than in the informal sector'. Indeed 'more personal relationships are established. Economic activities are part of the fabric of life, not compartmentalized work' (Blaxter and Fitzpatrick 1973a).

I now recognize this as a laudable attempt to view late colonial Port Moresby through Polanyi's eyes, even though the effort was misguided. Hart's informality could only be 'embedded' in a traditional economic system in which specialized mercantile functions

were performed, but these (as we shall see below) were absent from the various Melanesian societies represented in the capital (Conroy 2013b)¹². What Blaxter and Fitzpatrick mistook for an innate Melanesian capacity to 'truck and barter' (a notion associated with Adam Smith) was actually traditional exchange. Such exchange was indeed 'embedded', but in a system of social relations quite unlike those of 'the market'. In the context of 1973 Port Moresby, utilitarian trade was most commonly a hybrid activity in which market economic dealings sat uncomfortably alongside, and were apt to be compromised by, traditional behaviours. The analysis will turn to that issue below, to examine the uneasy trio of formality, informality and hybridity found in contemporary Melanesian societies.

In a comprehensive account of the informality debate in 1970s Port Moresby, Croz Walsh noted that Blaxter and Fitzpatrick had 'made 38 specific proposals for the development of an informal sector', but that (for reasons which may help explain Fitzpatrick's rather unhappy recollections of the period) 'none of these proposals ... had been implemented by 1983'. Walsh added a clincher: 'And yet the informal sector has grown as predicted by its detractors'. Then he named me among the naysayers:

'High urban wages and high rural birth rates would, according to Conroy, most probably "produce a new generation of migrants sufficiently impoverished to be

¹² By contrast in West Africa, the region which inspired Hart's concept of informality, commodity exchange was widespread in traditional societies. This occurred in both 'precapitalist' and 'noncapitalist' forms (in the second of which labour had not yet become a commodity) or by assuming increasingly capitalist forms. The evolution of systems of commodity economy was 'synonymous with the expansion of the market' (Hart 1982, 8). Even in the pre-colonial era (i.e., prior to the 1880s) and alongside barter, commodity exchange was facilitated by special purpose currencies, which included metal bars, cowrie shells, cloth, cattle, slaves, and tokens from trading houses (*Ibid.*, 115). Hart was critical of any narrative cast in terms of the 'intrusion' of money or the cash economy into West Africa. Here, however, just such an 'intrusion' is posited by my account of colonial PNG since the 1880s. This may be taken as suggesting that 'systems of commodity economy' would evolve, in time, with 'the expansion of the market' in PNG. If so, the evolutionary process was far from complete in 1973.

willing to operate in the informal sector" without any encouragement from Blaxter' (Walsh 1983, 415).

I reject the 'detractor' label, both then and now. I simply thought the time not ripe for vigorous informality ('a wholly desirable indigenization of small scale trading and service activities' [Conroy 1974a, 312]) to exist. I was influenced by substantial minimum wage increases which had occurred between 1972 and 1974 and the new government's indifference to burgeoning population growth, due to the reflexive pronatalism of the indigenous political class. These factors suggested to me that (on Todaro principles) informality's time *would* come as rural subsistence standards declined, when communities such as Ragamuka became more numerous, and as urban populations grew increasingly distanced from their rural roots.

Fitzpatrick came later to concede the significance of Fisk's concept of subsistence affluence, when, rather obliquely, he asserted: 'Even academic apologists for the system acknowledge that the so-called primitive affluence of the traditional mode was a constraint on the supply of labour' (Fitzpatrick 1980, 57). Again, and more explicitly, he admitted that 'the option of returning to the traditional social formation remains almost wholly open to urban residents and it will usually be easier for the unemployed to do this than to attempt to engage in urban petty commodity production' (Fitzpatrick 1982, 27).

Walsh characterized 'the Blaxter School' as having proceeded 'from the assumption that major economic changes can be accomplished by decree'. This required 'assuming there was the *political will*' (*Ibid*, 416, emphasis in original). But that *will* never existed, since the 'fragile consensus' on the Eight Aims could not overcome the combination of entrenched interests and bureaucratic prejudice -- both expatriate and indigenous --

arrayed against the informal sector¹³. One expression of this was a generalized political concern about 'urban drift', showing itself in periodic motions and resolutions in the legislature -- in 1964, 1969, 1971 and 1973 -- in which authorities were called upon to take action against urban migrants (even to the extent of seeking to institute 'pass' regulations in 1971) (Oram 1976, 169). Even indigenous parliamentarians were so imbued with the colonial 'idea of the town' that they were affronted by the visible manifestations of street informality. Fitzpatrick and Blaxter had engaged in one of the earliest attempts at 'formalizing the informal' (Conroy 1974a, 313) but this proved fruitless. The lesson from their failure was that informality, rather than being nurtured, would have to arise in the usual manner -- as pushback against the forces of bureaucracy, vested interest and prejudice.

¹³ Ross Garnaut gave an account of the politics of redistribution during the first Somare government, from 1972. The early running, including 'Fitzpatrick's work on unwinding restrictions on informal business' was made in the Office of the Chief Minister, but other ministerial initiatives 'became increasingly important through 1973 and 1974' and political energies were increasingly directed to regulating activities (coffee-buying, government procurement, takeovers of expatriate business and access to Development Bank loans) higher up the scale and (by implication) of greater interest to the well-connected than 'informal sector' activities. During the 1976 wage determination process, when Government had good reason to exert pressure for restraint, trade unions made much of the issue of tax holiday privileges for PNG entrepreneurs (Garnaut 1981, 202-3).

Part B. Informality in the social and economic setting of Port Moresby

5. The uneasy trio of formality, informality and hybridity

Hart's informality arises in market economies and results from the inability of individuals or groups to *conform* with the prescriptions of a dominant orthodoxy, administered bureaucratically¹⁴. In post-war PNG that orthodoxy was embodied in a new idea, when 'economic development' replaced the commercial development of the pre-war era (Conroy 2015a). By pushing back against the particular late-colonial Australian understanding of economic development, Papua New Guineans contravened bureaucratic norms prescribed for its achievement. Such acts of non-conformity included independent migration to towns in the face of official discouragement, the struggle by incomers for access to urban land, and their unauthorized home-building on government and customary land ('squatting') (*Ibid.*). In the post-war period, policy in PNG moved towards achieving a more stable and committed urban workforce and a 'normalized' urban demographic structure (processes still incomplete on the eve of self-government) (*Ibid.*). In the process independent (informal) migration to towns and unauthorized (informal) house-building contributed to the advance of urbanism in Port Moresby and elsewhere.

In conventional economic theory actors, whether formal or informal, are expected to react in a broadly predictable manner to 'price signals'. Drawing on Adam Smith's notion of an inherent propensity to 'truck and barter' in 'natural' economies, this way of looking at economic interactions has been applied to Melanesian societies by anthropological formalists such as Richard Salisbury (1970), but also by development economists. As we have seen, in a notable example of this mode of analysis Garnaut et al. (1977) applied the Todaro model to movements of unskilled labour to PNG towns in reaction to rural-urban income differentials. But there is a difference between the initiative required for an economic actor to fill a formal job made available by *another*

¹⁴ The concept may also be applied to certain other economic formations where the essential element of non-conformity with dominant orthodoxy is observable, notably the contemporary 'transitional economies' which retain remnants of socialist planning ideology (Conroy 2013d).

actor, and the initiative required to make one's *own* informal livelihood. The first case is amenable to analysis in terms of formal economic modelling, but the latter situation raises issues of the cultural capacity for specialization and exchange, and entrepreneurship. Such matters may be less amenable to orthodox economic analysis.

Blaxter and Fitzpatrick's efforts to 'formalize the informal' in PNG were thus mistaken in assuming an innate capacity to truck and barter (in the Smithian sense) among the people thronging its urban marketplaces. Discussing the 'romanticism' they exhibited in relation to informality and traditional society, I asserted (section 4, above) that specialized mercantile functions were not performed in Melanesia. Jim Allen was emphatic on this point: 'Melanesian specialist traders use trade as a basic mode of subsistence procurement. They are not merchants, they are subsistence traders' (Allen 1985, 50). Thomas Harding was even more categorical:

'Nowhere in late precontact 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 fact, 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).

Note here the reference to 'universal participation in trading', which might lead the casual observer to suppose that Melanesians would adapt readily enough to the culture and conventions of 'the market' when this form of economy was introduced by colonialism. But what Blaxter and Fitzpatrick mistook for a capacity to truck and barter was *traditional* exchange, which has both ceremonial and utilitarian elements (Conroy 2013b). 'Gifts' are transmitted through ceremonial exchange, while 'commodities' -- items for consumption by the ultimate recipient -- are exchanged in barter (Gregory 1982). For example, Jim Allen's 'subsistence traders', particularly the *Motu* from Hanuabada near modern Port Moresby, often had inadequate access to subsistence resources. The Motu covered their food deficit by making clay pots as commodities to be bartered for staple foods. But they also engaged in elaborate gift exchanges with affinal groups and trade partners along the coast and inland, involving shell ornaments and other valuables, and ceremonial feasts.

Cyril Belshaw showed the persistence of such behaviour in Hanuabada after the Second World War, by which time the community was essentially dependent on wage labour, having very largely abandoned traditional subsistence. By compiling household budgets he found that the distribution of household nutrition was more even than levels of income or expenditure. People were subject to 'specific non-continuous demands for high ceremonial spending, met in large part by small contributions from numerous helpers'. People often postponed consumption to permit such contributions to be made. Much food and some handcrafts were obtained from other villages and this was much more important for Hanuabadans than home-produced food, or food purchased from stores. He commented that these appeared to be strictly subsistence commodities and not the result of any innovation in a 'petty commodity' sector (Belshaw 1957, 77).

If we accept 'gift' exchange and 'barter' as pure types, then we might see in the latter what Chris Gregory called 'relations between aliens by means of alienable things', analogous to trucking and bartering. Gregory distinguished this from 'relations between non-aliens by means of inalienable things', in other words, the Maussian *Gift* (Gregory 1997, 52-53, Conroy 2012b). Marcel Mauss had asserted that 'there has never existed, either in the past, or in modern primitive societies, anything like a "natural" economy'. Instead 'we see that a part of mankind, wealthy, hard-working and creating large surpluses, exchanges vast amounts in ways and for reasons other than those with which we are familiar from our own societies' (Mauss 1925, 3). Mauss called this system of production and exchange a 'gift economy'.

Ian Hughes, a scholar whose most important work (Hughes 1977) Gregory has studiously ignored, rejected any notion of 'pure' barter and 'pure' ceremonial exchange, describing this as an unwarranted 'idealization'. They are merely 'the poles at the ends of a continuum of occasions when goods change hands' (Hughes 1977, 209). Along this continuum one might distinguish varying degrees of what Bill Stent called *hybridity* in traditional exchange, where motives of gift exchange are mingled with those of barter (Conroy 2012b). Like Gregory, Hughes accepted that objects may be either 'commodity' or 'gift' depending on context (*Ibid.*). But if traditional exchange can be a hybrid activity, the same is true of contemporary exchange relationships, where utilitarian monetized exchange (the market analogue of traditional barter) is very often tinged with customary elements.

To illustrate this Bill Stent introduced a notion of *hybridity*, which he claimed was pervasive among 'affluent' *Abelam* (Sepik) coffee-growers in transition from subsistence to market exchange in the 1950s and '60s. Stent proposed an 'adaptive' use of neoclassical economic method to take account of 'hybrid' (ie, non-maximizing) behaviours (Stent and Webb 1975, Stent 1984, Conroy *op. cit.*). Gregory found Stent's analysis uncongenial and, from a Maussian perspective, challenged the idea of 'subsistence economy' as a misconception and of 'subsistence affluence' as a chimera (Conroy 2012b). As an example of hybridity Stent had described how Abelam cultivators might grow commercial crops purely for prestige, in advance of any marketing opportunities. Again, as the transition from subsistence proceeded, there would be a propensity for householders to continue to produce at least some food for own-consumption, thus adhering to 'subsistence' values under circumstances where the goal of profit maximization would otherwise justify a fully specialized and commercial mode of farming (Stent 1984).

The anthropological literature provides many instances of such hybridity in late-colonial society. A development economist might regard these as arising in situations where Smithian trade is compromised by Maussian exchange (with the latter seen as the product of socially regulated customs). A (non-formalist) anthropologist might see the other side of the coin, judging that Maussian exchange (seen as a valid set of human choices) was compromised by 'the market'. Both perspectives are necessary, however, for an understanding of the reality of late-colonial PNG, where some degree of hybridity in economic behaviour was the norm.

The Faber Report commented that rural informality was (unlike the urban informal sector) 'showing signs of development' (ODG 1973, 4.11). Among important centres of such activity were Goroka (a coffee-growing district which will be the subject of the next paper in this series) and the Gazelle Peninsula (home of the Tolai people) around the town of Rabaul (Conroy 2014a, 2014b). Rural informality in such 'lucky places' with fertile land and scope for expansion reflects changes occurring in livelihoods, due to the introduction and elaboration of monetary exchange and technical innovation in agriculture, off-farm activities, marketing and services. Rural informality in PNG was occurring in households where evidence of earlier modes of production and distribution (such as household subsistence, traditional exchange and customary land tenure) was

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

I have previously singled out Richard Salisbury's writings on the Tolai (Salisbury 1970, 1971) as anticipating the idea of a rural informal economy (Conroy 1974a, 313; 2012a). His 1970 study, *Vunamami*, is replete with evidence of hybridity. Here, however, I cite the work of T. (Scarlett) Epstein (1968) and A L (Bill) Epstein (1969). The latter worked in the peri-urban village of Matupit, whose people juggled a variety of sources of livelihood, including formal and informal, farm and off-farm, urban and rural activities (Conroy 2014a). Some small businessmen in the village ran trade stores and other enterprises. Eight stores operated in the village in 1960, with capital generally subscribed by members of a common descent-group. These stores suffered many disabilities, including interference from fellow descent-group members and pressure to extend credit. Epstein thought their viability problematic, in the strict commercial sense. But these were hybrid enterprises and 'most of those engaged in running stores were not entrepreneurs in the modern sense' (Epstein 1969, 65). Scarlett Epstein generalized such situations:

'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* [ie, traditional shell-money]. This has led to some uneconomic investment' (Epstein 1968, 52).

In a mass demonstration of hybridity, Tolai rural women, acting as what Scarlett Epstein called 'producer-sellers', were the principal economic actors at the Rabaul and other markets on the Gazelle in the 1960s (T S Epstein 1982). Individual sales were typically small and 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' (*Ibid.* 145). Though occurring in the town, this was the behaviour -- both informal and hybrid -- of *rural* women on day-trips to Rabaul market.

Turning to instances of *urban* hybridity in the late colonial period, we should reconsider how informal investments transformed much of the physical fabric of Port Moresby (Conroy 2015a). Despite presenting this as 'investment', I do not regard it as fitting the standard mould of individualistic, utility-maximizing behaviour. Rather, it has strong characteristics of hybridity, as shown in the cases of Morata and Hanuabada. Morata, starting from the official allocation to settlers of a thousand 'site and services' blocks around 1973, became in time a satellite township of the capital, very largely constructed by householders themselves. In the case of Hanuabada, Belshaw's study of the 'great village' in the early 1950s told how, after government had rebuilt the village after the war, householders continued busily adding to and improving their houses.

Belshaw documented the presence of many tradesmen in Hanuabada -- carpenters, electricians, plumbers and painters -- many of whom were employed formally in the labour market and in contracting (Belshaw 1957, 97ff). He provided detailed household income and expenditure data which gave little hint of anything resembling commercial dealing by these tradesmen within Hanuabada, their home village¹⁵. There (and, I have no doubt, also in Morata) quasi-traditional processes of cooperation and exchange between these tradesmen and other villagers enabled people to accumulate physical capital over time. In terms of orthodox economic theory, people in such settlements could be seen as receiving a continuing income-stream (a 'dividend' on their 'investments') based on the value of the shelter received from their housing stock. Belshaw's account showed the permeability of the boundaries between formality, informality and traditional exchange in early post-war Hanuabada, and demonstrated

¹⁵ For a later period, the late 1970s, Rabuni and Norwood (1980, 338 n.14) reported urban self-help housing could employ *wantok* labour or also 'paid specialist help on difficult bits', though no information was offered as to the relative importance of these labour sources.

that informality is very often accompanied by hybridity, since the latter is typical of situations of social flux. On the other hand not all informal activity is hybrid¹⁶.

Finally, it may be useful to consider another approach to the phenomena discussed here. This is associated with the German sociologist Hans Dieter Evers (1981).

Acknowledging Fred Fisk's early interest in matters of 'own consumption' and 'income in kind', Evers considered the livelihoods of the urban poor in Jakarta, in particular, 'goods and services provided by the consumers themselves, or received free of charge outside the market economy' (*Ibid.*,89). Such 'urban subsistence' activities included urban food production, as well as 'construction and maintenance of houses, collection of firewood and water, and the processing of food, sewing of own clothes, health care, recreation and transport' (*Ibid.*, 93). All of these activities, incidentally, could be observed in late-colonial Port Moresby. Evers claimed that his data pointed to 'the importance of subsistence production as a *third sector* in the urban economy next to the formal and the newly "discovered" informal sector producing for the market' (*Ibid.*, 95-6, emphasis added).

By including in a household's resources both its own 'urban subsistence' production and goods and services 'received free of charge outside the market economy', Evers appears to have conflated informal and exchange activity (which in the context of Melanesia are of quite different orders and significance). Such an approach may have been appropriate for Java, where even in rural areas households are relatively atomised in terms of affinal networks (a tendency even more pronounced in urban areas). It seems worthwhile in Melanesian cases, however, to maintain the distinction between informal 'market' economic activity and quasi-traditional exchange conducted in urban areas (or between urban and rural affines). For example, Belshaw's account of exchange in 1950s Hanuabada showed the persistence of exchange relationships into the modern

¹⁶ For example, in the twenty-first century international agencies such as ILO campaign for the elimination of informality from middle-income, highly urbanized states in Latin America and Eastern Europe where the weight of official corruption, excessive regulation, or criminality encourages otherwise 'modern' enterprises to operate 'under the radar'. Thus informality may arise where external pressures cause enterprises to 'submerge', and such activities are not normally 'hybrid' in the sense that term is used here.

period. This occurred in a situation where Hart's informality was very largely absent (with Belshaw explicitly denying any resemblance of such behaviour to 'petty commodity production'). Similarly it is worthwhile distinguishing 'hybridity' -- both urban and rural -- as a distinctive characteristic of Melanesian informal economic activity.

6. Intellectual precursors of informality in 1970s Port Moresby

Hart had some precursors in the literature dealing with late-colonial PNG, at a time when urban incomes were still almost exclusively associated with formal employment. Academic geographers had begun to speculate how livelihoods might be gained in the towns, other than in formal 'jobs'. In 1970, discussing migration and urbanization, Gerard Ward suggested that 'an increment in the capitalist sector of the town's economy may well support a disproportionately large increase in the "bazaar" sector' (an insight he attributed to Armstrong and McGee [1968]). He warned against tying urban population projections 'too closely to estimates of growth in the monetary sector workforce' (Ward 1971, 101-2). Again, Harold Brookfield wrote that as Melanesians came to dominate town populations, 'the social and economic character of the towns will be transformed'. It seemed possible that 'the market-places will become the true cores of the larger towns, while shops come to occupy a more specialized and less central role'. Planners 'should perhaps be seeking clues as to the sort of towns that will develop from places like Koki in Port Moresby'. Further, throughout Melanesia 'a major part of the population growth in the coming thirty years will be taken up by expansion of the towns ... Such a forecast does not necessarily depend on expansion of urban employment opportunities, or on general economic expansion, as experience in Africa and Asia has clearly demonstrated' (Brookfield with Hart 1971, 411-12).

Ward noted that Armstrong and McGee had applied the concept of 'agricultural involution', associated with Clifford Geertz (1963a), to the urban context of Southeast Asia. In an *urban* involutionary process mimicking Javanese labour-intensive rice cultivation, 'the non-capitalist sections of the tertiary sector of the urban economy can continue to absorb increasing labour to an extraordinary extent' (Ward 1971, 101). Coincidentally, the anthropologist Richard Salisbury (1971) suggested the same possibility for the Tolai of the Gazelle Peninsula (although he credited Ben Higgins rather than

Armstrong and McGee). Salisbury feared the Tolai might undergo agricultural stagnation and involution, leading to rural-urban migration. Rural poverty would then induce a parallel process -- an 'involution of services' -- in the town of Rabaul (Conroy 2014a). Compared with Ward and Brookfield, who seem simply to have proposed the intensification of urban 'market-place' activities, Salisbury's was a more advanced model of economic organization, based on a broader notion of tertiary sector service-provision, albeit still provided by what Hart called 'informal' actors.

Interestingly Keith Hart has acknowledged, not *Agricultural Involution*, but Clifford Geertz's other Javanese classic, *Peddlars and Princes* (1963b) as a primary influence on his formulation of the formal/informal duality (Conroy 2012a). Also Armstrong and McGee, after having drawn on *Agricultural Involution* for the idea of *urban* involution, had greater recourse to *Peddlars* for the balance of their argument. Hart's reading of the latter study persuaded him that the informal economy was 'the antithesis of the state-made modern economy' whose essential characteristic was *nonconformity* with the formal bureaucratic norms of that economy. Seeking some theoretical framework for the empirical reality he had observed in the streets of Accra in the 1960s, he found that

"The best description was Clifford Geertz's account of the *suq* or "bazaar economy". *Peddlers and Princes* is about the contrasting face of Indonesian entrepreneurship. Geertz identified two economic ideal-types in a Javanese town. The majority were occupied in a street economy that he labeled "bazaar-type". Opposed to this was the "firm-type" economy consisting largely of western corporations who benefited from the protection of state law. These had *form* in Weber's sense of "rational enterprise" based on calculation and the avoidance of risk. National bureaucracy lent these firms a measure of protection from competition, thereby allowing the systematic accumulation of capital. The "bazaar" on the other hand was individualistic and competitive, so that accumulation was well-nigh impossible'. (Hart 2004).

In suggesting that an 'involution of services' might eventually arise in the town of Rabaul, Salisbury acknowledged conversations with the economist Ben Higgins, who had been Geertz's colleague in Java in the 1950s. Paraphrasing Higgins, Salisbury noted that

‘service industries of low productivity in many under-developed countries absorb large proportions of the manpower, but disguise under-employment without removing it. They then create what might be called “an involution of services” –taking in each other’s washing – leading to increasingly labour-intensive technologies...’ (Salisbury 1971; 65n).

Ward echoed this bleak tone, in which taking in one another's washing connoted an ultimately unproductive 'make-work' economic system. He emphasized involutory processes in which informality is a kind of sponge, mopping up and absorbing the urban unemployed in a situation of 'shared poverty'. By no means could it be seen as a source of dynamism and innovation which might add value to urban economic life (Ward, loc. cit.). Fortunately, Ward's somewhat dire prediction of dysfunctional urban growth for PNG, based on an almost unlimited capacity of towns to absorb rural surplus labour, seems to have been excessive. He had projected 'that an urban population nearer 1,000,000 than 500,000 should be expected in 1991' (*op. cit.* 103). The National Statistical Office has reported urban populations totalling only some 555,000 in 1990, with the urban proportion 15.5 per cent, and with urban masculinity at 126/100 (NSO 2004). These numbers do not suggest runaway urbanization; rather, an increasing degree of demographic 'normalization'.

Hart came to see the informal economy as ‘a remedial concept’, serving to reconcile orthodox economic analysis with reality, for

‘As long as there is formal economic analysis and the *partial* institutionalization of economies around the globe along capitalist or socialist lines, there will be a need for some such remedial concept as the informal economy. Its application to concrete conditions is likely to be stimulated by palpable discrepancies between prevalent intellectual models and observed realities’ (Hart 2007, italics in original).

The discrepancies found to exist between observed realities and prevalent intellectual models (the latter also described in this study as 'orthodoxies' or 'ideologies') are the result of what is called here 'pushback'. This is exerted by those who reject or avoid bureaucratic norms governing their livelihoods, thereby earning the label 'informal'.

The scholarship of Ward, Brookfield and Salisbury, described here as possible precursors of Hart's informality in PNG, suggests neither an appreciation of the significance of bureaucracy in engendering and defining informality nor any alternative explanatory framework to rival Hart's general theory of informality.

Hart did not represent his urban informal sector in so bleak a fashion as Ward or Salisbury, although initially he felt unable to resolve the question with which he had commenced his research: 'Does the "reserve army of urban unemployed and under-employed" really constitute a passive, exploited majority in cities like Accra, or do their informal economic activities possess some autonomous capacity for generating growth in the incomes of the urban (and rural) poor' ? (Hart 1973, 61). He could not endorse either a Marxian scenario of deprivation and underdevelopment, or the 'liberal', 'optimistic' possibility of 'a dramatic "bootstrap" operation, lifting the underdeveloped economies through their own indigenous enterprise' (*Ibid.*, 88-89).

A decade later, however, Hart referred again to this work. He had come to believe that a modernizing West African agriculture would generate 'an inevitable surplus of workers over the labour requirements of the organized urban economy, but the excess population will be supported by the trickle-down effect of government expenditures and *by the inherent economic dynamism of concentrated urban markets, which generate an almost infinite range of activities based on commodity exchange*'. Hart was now pinning his hopes on an Arthur Lewis transition: 'Eventually this work force will be absorbed into [formal] enterprises requiring cheap labour in considerable amounts' (Hart 1982, 162 emphasis added). Most recently, by 2013, Hart felt buoyed by the wave of optimism for the development prospects of continental Africa. This encouraged him to say that 'Africa's urban informal economy everywhere supplies food, housing and transport; education, health and other basic services; mining, manufactures and engineering; and trade at every level, including transnational commerce and foreign exchange'. Among the challenges for Africans was to build on this dynamism, by renewing 'the movement for greater continental unity' (Hart 2013).

7. The limited scale and scope of Port Moresby's informality

If it is not too mundane a prospect after such heady speculation, we should return to 1970s Port Moresby. Hart's informality had attracted enthusiastic political support, but also some scepticism, notably from Peter Williamson (1977). The latter accepted that 'affluence' constrained the level of urban informal activity, but thought this would change with population growth. The Blaxter/Fitzpatrick 'dream' of informality would in time become an urban 'nightmare' (cited by Walsh 1983, 415). His vision was neo-Marxian, with the poor seen as excluded, or marginalized, from access to opportunity. Taking a line which Peter Fitzpatrick might, in retrospect, prefer to have adopted, Williamson dismissed the program of support for informality as naive. He asserted the need for a class solution, requiring a radical restructuring of social and economic relationships. Williamson's approach was enlightened in pointing to the importance of illegal activities as an element in informality in mid-70s Port Moresby. No doubt this position derived from a view of informality as urban pathology, but it was also consistent with Hart's original description of the informality phenomenon (Conroy 2012a). From a radical perspective he was also courageous, in challenging proposals to demolish public health and safety regulations in order to stimulate informal food preparation activities. These views will be seen in perspective when we come to view the actuality of informality in late-colonial Port Moresby.

Hugh Norwood was no sceptic. With an interest in Gandhian self-sufficiency and (like Nigel Oram) previous experience in Africa, he assumed Oram's task of charting Port Moresby's burgeoning informal settlements. Norwood was involved in preparing the first national housing plan, which incorporated breakthrough self-help policies (NHC 1975) and campaigned for a regulatory framework supportive of informal investment in housing and local infrastructure initiatives (Norwood 1982). I had asserted that self-employed economic activity in Port Moresby was more distinguished by invisibility than informality (Conroy 1974a). This trope brought Norwood out to defend both the concept and the reality of an 'informal sector' in the capital. Over a series of publications (Norwood 1978, 1979, 1984) he stressed the significance of informal construction as an essential element in the physical growth of the city and documented numerous other examples of informal livelihoods.

Norwood approached informality from a normative position and had no time for Hart's non-judgmental empiricism: 'Hart included thieves, vagabonds and prostitutes as part of the informal sector. Of course if we were to include the rascals¹⁷ as part of the informal sector in Papua New Guinea we would have no great problem in showing that the informal sector is thriving' (Norwood 1978, 61). Williamson, who recognized illegality as important to the livelihoods of many urban people, had followed Hart in this matter. Among informal activities Hart had distinguished between 'legitimate' and 'illegitimate' activities, with the notion of 'legitimacy' being 'derived essentially from Ghana's laws ... coincid[ing] with the morality of "respectable" Ghanaians'. Such notions were not necessarily congruent with the mores of the residents of Nima [in Accra], a district 'notorious for its lack of respectability, for the dominance of a criminal element, and for the provision of those goods and services usually associated with any major city's "red-light district"' (Hart 1973, 74; Conroy 2012a).

It may assist in understanding how threadbare Port Moresby's informal economy was in 1972 if, by comparison, we consider Hart's taxonomy of 'legitimate' activities in Nima in the late 1960s. Among these Hart distinguished numerous categories of primary (including urban agriculture), secondary (petty manufactures, artisanship) and tertiary activities, conducted by an 'urban proletariat' (Hart 1971) or 'sub-proletariat' (Hart 1973). 'Tertiary' activities included operations at the apex of the informal economy, requiring relatively large capital inputs ('transport operators, landlords, cornmill owners, commodity speculators'). There was a profusion of small scale distributive roles, distinguished by whether operators were itinerants from 'upcountry' or resident in the city, by the locus of their trading ('market stalls, roadside booths, hawking'), by the commodities traded, and by position in the distribution chain. Traders differed in terms of their time-input and scale of operations but were typically flexible in response to opportunity. 'Petty traders, brokers, wholesale merchants, commission agents, and occasional dealers – all these roles are played in varying degrees by large numbers of the urban sub-proletariat' (Hart 1973, 72).

¹⁷ 'Rascals' (Tok Pisin, *raskol*) are members of a criminal class possessing little of the raffish charm this term suggests in modern English.

Concerning 'illegitimate' activities, Hart (1973, 68) noted that 'a consideration of income opportunities outside formal employment must include certain kinds of crime. The incidence of illegitimate activity in Nima was, to my knowledge, all-pervasive'. His classification (1973, 69) of criminal 'income opportunities' may be summarized as follows:

Services: hustlers, spivs, receivers, usurers and pawnbrokers at illegal interest rates, drug-dealers, prostitutes, procurers, smugglers, bribe-takers, influence pedlars and protection men

Transfers: thieves, larcenists, speculators and embezzlers, confidence tricksters, gamblers

There were multiple relationships between the formal and informal economies. For example, in terms of 'legitimate' goods and services, the informal economy provided a very large proportion of the daily needs of the residents of Nima and other such suburbs, but it was also a substantial 'exporter' of goods and services to middle class neighbourhoods. Similarly, in regard to 'illegitimate' goods and services, one might distinguish between the thriving local market within Nima and its dealings with the 'bourgeois' world of greater Accra, which was the willing recipient of many services as well as the unwilling source of certain 'transfers' (owing to theft and burglary, for example). Urban crime was thus a powerful agent of redistribution (Conroy 2012a).

By comparison, Norwood's listing of informal activities (all 'legitimate', in Hart's terms) was modest, as was his claim that in Port Moresby, 'the informal sector is, I consider, stronger here than has previously been considered and it is essential for the future wellbeing of this country that it should be nourished and grow' (Norwood 1978, 59). Correcting the more rhetorical statements of those he considered scoffers and naysayers, he offered a catalogue of informal activities (*Ibid.*, 61-64). Aside from construction these included carvings and handicrafts, some produced in what he described as 'workshops', and bottle collection. Settlements acted as 'collection depots' for bottles and regular lorry pickups operated. Firewood was collected, cut and sold in a 'widespread system' from the urban villages and settlements. Motor vehicle repairs were done in many of the urban villages, whose inhabitants included skilled tradesmen,

while the unskilled migrants of Ragamuka settlement extracted copper from cars to sell to scrap-metal dealers and rubbish dumps were picked over for materials (including for home construction). Urban food gardening was 'well organized' and 'growing fast' while swamps inland of the city supported a community of a thousand migrants 'completely dependent on the urban economy' who caught *tilapia* fish for the markets. Norwood omitted mentioning coastal Papuan groups, including the *Hula*, who had long supplied Koki and other markets with fish from reefs off the city (Conroy 2015a). As to the markets themselves, on a Saturday in April 1978 he counted over a thousand vendors in 7 official marketplaces (including some 430 at Koki) and another 120 in unofficial 'street markets'. Commodities for sale were mostly vegetables, with some handicrafts such as string bags (*bilum*). Betel-nut (*Areca catechu*), a traditional and widely-used stimulant, was offered in official markets but was the most important commodity in the street trade. The ubiquitous PMVs (passenger motor vehicles) were 'basically a system operated by the informal sector'. Apart from these, and informal construction, the only other service mentioned was the occasional 'lawn-mower man' (Norwood 1978, 61-64).

Norwood made no mention of 'middleman' services, though my own recollection is that some highlanders were already buying betel-nut directly from producers for resale in the City. His account of informal construction (written some years after Independence) suggests a more monetized process than was seen in Belshaw's account of 'home improvement' activity in 1950s Hanuabada: to call it 'self-help housing' was 'a misnomer', for 'what in practice occurs is that a network of small scale sub-contractors grows up composed of people who do the actual house construction' and 'who get their materials from cheap local sources such as offcuts from the timber mills' (*Ibid.*, 65). This is not entirely consistent with another account, however, where Norwood reported that urban self-help housing may employ the labour of friends and affines, or it may obtain 'paid specialist help on difficult bits', and commented that 'short-term use of specialist paid labour is an integral part of every self-help housing scheme (including unplanned squatter areas) I have ever seen in Africa and Asia ...' (Rabuni and Norwood 1979, 338, n.14). The implication was that this was also the case in PNG, but I think it reasonable to suggest that while housing construction was becoming increasingly commercialized, strong elements of traditional exchange remained; most urban home-building projects continued to be of a hybrid character.

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

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

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

'eight per cent of work-age males who were considered to be residents of the village commuted daily to employment in the town. A further 37 per cent slept in Port Moresby during the week and returned to the village most weekends. Six per cent were employed more or less full time in trucking and retailing businesses that were heavily dependent on the custom of urban commuters' (Garnaut, *loc. cit.*).

This showed a mix of formal and informal income sources and considerable synergy between town and country. Returning to Norwood's account of more than a thousand vendors in the capital's markets on a Saturday, it is safe to say that the very great majority of those vendors were just such people as the Gaire village commuters. Their market dealings were not so much a matter of *urban* informality as the urban face of a

rural informal economy -- a phenomenon typical, for example, of Rabaul market (Conroy 2014a). The conduct of such activity in the city should not be advanced as evidence of urban informality. Only if urbanites produced food on urban land for sale (as some did), or purchased rural produce for resale in the town (as few did at the time), would this constitute *urban* informal activity.

In sum, Norwood's tally of informal economic activity suggests the limited scale and scope of Port Moresby's informal 'sector' in the mid-1970s. There were almost no petty manufactures (the informal sector 'does not make very much and the level of technology ... is low' [*Ibid.*, 67].'). Service activity, aside from the important instances of construction and public transport (and a rather vague reference to vehicle repairs) was very limited. Instead there was heavy reliance on quasi-subsistence activities (gardening and fishing) whose importance indicated a degree of access to natural resources unusual by the standards of Third World cities. This was a paradox of the urban informal economy in PNG towns, since in other countries the scarcity of such resources forces many urban dwellers into service and trading activities more typically associated with informality. In terms of trading activities, Port Moresby's markets combined could muster only half the 2000 vendors recorded by Scarlett Epstein at the Rabaul *bung* in 1961 (Epstein 1968, 137). An apparently trivial circumstance, which Norwood acknowledged, was symptomatic of the situation in urban PNG at the time. In an agro-economy where despite population densities being typically low, transport costs relatively high and timber abundant, 'charcoal is unknown [although] charcoal is the basis of much of the informal sector in Africa and South America' (*Ibid.*,67)¹⁸. Blaxter and Fitzpatrick might inveigh against regulatory barriers to street food in Port Moresby but these were inconsequential compared with this technological deficit.

There are some data on informal employment from an urban household sample survey conducted across major towns in 1973-74 (Garnaut *et al.* 1977). Earlier census data had shown little evidence of urban 'self-employment', with totals for the whole country of 432 in 1966 and 1,100 in 1971 (or less than 2 per cent of the employed urban

¹⁸ If it is not too clumsy a construct, I am tempted to see this as evidence of 'the underdevelopment of underdevelopment' in late colonial PNG.

workforce) (*Ibid.*6). In the survey conducted by Garnaut and colleagues, across all Port Moresby households only 3 per cent were without any wage-earner, with the highest incidence of wagelessness, 6 per cent, in the city's traditional villages. Among the settlements, Ragamuka was notable for a high incidence of wageless households, bringing to mind Garnaut's remark, quoted above, concerning the willingness of Chimbu migrants to endure difficult urban circumstances. Across the town, only 8.5 per cent of men (and 15 per cent of women) reported earning some informal income in the previous week, and for these men informal sector activity was as likely to be a supplement to wage income as a specialist activity. Moreover, 'very few men or women earned as much as the urban minimum wage from informal businesses' (*Ibid.*, 126-7).

Other than in the urban villages, the few wageless households were typically from far distant, relatively disadvantaged places similar to Chimbu district (*Ibid.*, 125-6 and tab 6.3). Wageless households in Port Moresby 'sold things' (22%), borrowed money (4%), received food as transfers (24%), grew their own food (18.5%), and had 'other' sources of support (26%) (*Ibid.*, tab 6.4). It appears from these proportions that the 'urban subsistence' and 'exchange' economies were more important than the informal economy as sources of support for such households. Finally, Croz Walsh reported some official data for urban household expenditures in 1975-76. The average outlay on purchases from market and street vendors in Port Moresby was 12 per cent of all 'citizen' expenditures (Walsh 1983, 416). Given the importance of betelnut in the average consumption basket (later estimated at 7.5 per cent for the purpose of cost-of-living calculations [Connell 1997, 71]) this appears to have left limited scope for any other purchases. It certainly does not suggest a thriving 'informal/non-betel' economy in the capital at the time.

8. Why was the informal economy so threadbare?

We should consider why informality, in Hart's sense, was so ill-developed at the end of the colonial period. First, there is the anthropological evidence (Allen 1985, Harding 1994, Hughes 1977) suggesting that specialized mercantile functions were not performed in traditional Melanesian societies. This provides at least a partial explanation for slow progress in the emergence of informal economic enterprise, though it cannot show that such activities would not emerge eventually. Where, as on

the Gazelle Peninsula, vigorous rural informal activity has been recorded, this was characteristically tinged with hybridity, suggesting an incomplete progression from one mode of economy to another. Similarly urban informality in Port Moresby, seen in investments in private construction and 'communal utilities' such as PMVs, offered abundant evidence of hybrid behaviour, though much less individual market economic activity was evident than in Rabaul.

Arguments advanced by Blaxter and Fitzpatrick turn largely on the issue of regulatory impediments to urban indigenous economic activity. These can hardly have encouraged indigenous 'micro'-entrepreneurs, although legal impediments have had questionable effect in preventing behaviour deemed anti-social in other spheres of PNG life -- as the growing concern over 'law and order' issues during the 1970s suggested. In the case of the Gazelle Peninsula, German and Australian colonial administrations weighted the regulatory scales systematically in favour of expatriate enterprise until after the second world war but failed to prevent the rise of Chinese and Tolai economic activity (Conroy 2014a, 2014b). There is a strong case for arguing that the absence of Chinese from Papua until the late 1950s was an impediment to independent Papuan economic activity, because of the absence of the Chinese intermediary class which drew the Tolai of German New Guinea into independent activity in the monetary economy (Conroy 2014c).

There are also considerations of the technological preparedness of PNG's many small societies for independent engagement in a market economy, other than in activities such as urban agriculture, to which traditional skills were transferable. Norwood lamented the paucity of 'manufactures' in Port Moresby's indigenous economy. In regard to this, W E Stanner commented after the Pacific war that

'Native handicrafts and productive techniques are still extremely backward. Only the simplest cutting tools and equipment were traditionally used. The techniques are often exceedingly skillful, but relatively few natives have learned to handle modern tools or to understand modern technological methods. Here again, individuals have proved highly teachable, but average conceptions and skills remain primitive. The traditional ways of dealing with the environment, the tools and equipment, and the simple transport methods, are all closely linked with a

simple (much simpler than in a Punjab village) division of labour, little specialization, and an undeveloped system of trade' (Stanner 1953, 394).

Stanner's conclusions are not deterministic, but implied a need for technical education, whether formal or 'on-the-job'. Despite rapid development of technical training facilities in the 1960s, the latter, informal mode of training was still very important and there was little involuntary unemployment of skilled workers which might have produced more 'manufactures' and technical services in an informal market economy. Other considerations applied to food preparation, where traditional standards of hygiene perhaps acceptable in rural society might quite properly (as Peter Williamson suggested) have brought street vendors into conflict with Council inspectors. The charcoal issue is relevant to food preparation but also has wider implications. Charcoal-burning would not only have been a valuable micro-industry but would also have provided an input into other informal activities. It may have been the case, as Walsh suggested, that prepared foods were already cornered by the formal sector and that this was irreversible. However that argument did not take account of the possibility that indigenous operators, appropriately equipped and with greater understanding of the possibilities open to them, could prepare foods more congenial to local tastes than Australian fast food¹⁹. This matter of street food is simply one example of a broader problem, the need for a monetized informal productive system capable of supplying a basket of goods and services suited to indigenous tastes and incomes, rather than one heavily dependent on imported commodities and priced accordingly.

¹⁹ A Vietnamese-Australian cross-cultural view is revealing on the PNG 'street-food' issue. Such 'ancillary' services 'require adequate knowledge and/or modern sector experience' and their future development would be delayed 'until the presently acute shortage of indigenous skilled manpower within the modern sector is fully satisfied'. Street food depends heavily 'on the existence of complementary services and knowhow. Sidewalk street stalls not only need cheap and effective sources of energy ... They also require a great deal of culinary inventiveness and innovation to successfully attract the high income expatriates. However the cooking tradition in PNG, which is very different from those in other cultures, cannot be easily modified or adapted for an informal activity so characteristic of most Asian cities. At the same time subsistence and imported food ingredients are relatively expensive for widespread catering of low-income national families' (Lam 1978, 15). One might add that street-food flourishes in night-markets, which were simply not possible in Port Moresby.

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

And again, there is the set of factors associated with 'the idea of the town', which Nigel Oram thought so influential in patterning the lives and livelihoods of the people of Port Moresby (Oram 1976; Conroy 2014c; Conroy 2015a). He contrasted the colourful and chaotic urbanism of the pre-colonial city of Ibadan in West Africa with the retarded urbanism he found on arrival in Port Moresby in 1961. This reminded him of towns established in Eastern Africa by British colonialists -- quite unlike Ibadan, where formal and informal manifestations of urbanism jostled side-by-side. His point was that rigid zoning provisions robbed colonial cities of the capacity for informality. Keith Hart (2013) has made much the same point, pointing to variations in the scale and scope of informal economies across Sub-Saharan Africa:

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

Finally, there is the question of the relative affluence of the subsistence economy. I claimed that, in conditions still applying in the mid-1970s, rural affluence set a base-

rate for the levels of real income and physical exertion which most rural-urban migrants were willing to tolerate (Conroy 1974a). The argument was that, as rural population growth whittled away the margin of surplus resources concealed within the subsistence sector, increasing numbers of migrants would be forced to 'hustle' in an urban informal economy (as indeed the Chimbu of Ragamuka did, even before Independence).

Fitzpatrick came to accept this and Williamson accepted it from the beginning but Walsh thought it superfluous, preferring an explanation based on 'the nature of the urban economy and the place of the rural poor within that economy' (Walsh 1983, 416).

The construct of subsistence affluence rests on the same foundations as the generalization that PNG's small subsistence societies neither needed, nor did they throw up, any 'professional traders', 'merchants' or 'itinerant pedlars'. In Fred Fisk's model (1962), the social groups enjoying 'affluence' were self-sufficient, although in practice they engaged in traditional, non-market exchange -- both ceremonial and utilitarian. But the essential feature of such societies -- what Fisk called a 'recognizable caricature' of reality, and others a 'stylized fact' -- was an *in principle* self-sufficiency (Conroy 2012b). 'Affluence' was founded on this construct, a 'caricature' sufficiently close to the truth to justify also the generalization (arrived at independently by Allen, Harding and Hughes) that PNG lacked mercantile societies. These linked ideas, of affluence and the absence of a mercantile tradition, provide a cultural explanation for the slowness with which an informal 'marketized' economy emerged in colonial PNG.

Issues of regulatory obstruction (Blaxter and Fitzpatrick) and colonial economic structure (Walsh) must have played some part, as also must the limited skills base and perceptions of opportunity possessed by the indigenous population. Oram's 'idea of the town' (as amplified by Hart) was unquestionably a major influence. Finally (and this is related to *the idea of the town*) there was the 'law and order' issue. Violence and criminality continue to figure in surveys as a serious constraint on formal economic activity (Betteridge and Howes 2013) but they are no less so in the case of the informal economy. The *peace of the market* is too often disrupted and this is among the reasons why night-markets with street-food are still unknown.

Part C. Dilemmas and consequences

9. The Gordian knot of wages policy

This account has dealt with post-war events to the time of the Faber Mission in 1972, and political developments in the period to Independence in 1975. Now it is necessary to sketch other late-period developments affecting the emergence of an informal economy in Port Moresby. For that purpose, and to avoid distortions arising from an arbitrary cut-off date, the account will reach selectively into the post-Independence period to understand changes occurring in PNG society and economy. The luxury of hindsight may also enable us to draw some conclusions about the longer-run significance of the events of 1972-1975.

At that time, formal wage employment was of overwhelming importance to Port Moresby livelihoods, while informal incomes were no more important than urban subsistence or traditional exchange. In an earlier part of this study (Conroy 2015a) wage determination processes were examined for their influence on the stability and productivity of the urban workforce. This was important because 'without some degree of efficiency and stability in wage employment, [PNG] cannot develop the basic requirements of a modern community' (Rowley 1958, 111). My earlier account (Conroy 2015a) left off after describing how during the 1960s colonial authorities felt their way towards a tripartite regulatory framework for wage determination and a wage structure supporting a productive and committed urban work force. By 1972, however, with the election of a national government among whose members were a number of former and serving trade union leaders, the stage was prepared for what Ross Garnaut termed a 'structural change' in the wages system. This would have important implications for urban migration and employment. It also coincided with another structural shock, affecting the young Government's budget. This was the 'cessation of the strong growth in Australian aid and real public expenditure that had provided the main impetus to the expansion of urban employment from the early 1960s to about 1973' (Garnaut *et al.* 1977, 186). This was a serious fiscal challenge, enforcing considerable financial stringency in subsequent policymaking.

In 1972 a newly-constituted Minimum Wages Board (MWB) raised the Port Moresby unskilled urban wage from \$8.00 per week to \$11.50, and to \$13.80 after a further 12 months. Ross Garnaut thought the initial increase to \$11.50 was enough by itself to 'exceed the opportunity cost of labour drawn from the village by a significant margin'. It was of a magnitude to tip the balance of advantage, between working in village or town, decisively in favour of the latter option (Garnaut 1973, n.9). Further MWB decisions followed in 1974 and 1975, with the first establishing the principle of an 'Australian-style' family needs-based wage. These hearings increased the minimum wage, successively, to \$20.00 and then \$25.80 in 1975²⁰. Far from any doctrinaire opposition, Ross Garnaut advocated real wage increases -- even substantial ones -- although he had firm views about the necessary conditions for, and timing of, such increases. He was reported as arguing in a private submission to the 1974 urban wage case that the MWB determination should not be 'a limited response to short-term economic circumstances' but should instead be 'set in an appropriate long-range context'. He suggested a 10 year timeframe, during which proposed natural resource projects 'would commence to alter the picture', increasing national capacity to pay real wage increases. On reasonable assumptions, Garnaut thought 'it would be probable that the nation could afford an increase of 50% in real wages over the decade' -- or even 100 per cent, in the event of certain major improvements in PNG's external economic environment (Cunningham 1974, 8-9). In the event, urban minimum wage workers received almost 100 per cent, almost immediately, and with flow-through to other categories of urban employees. This was a premature payment, in expectation of future economic windfalls which would not eventuate.

²⁰ The 1974 determination occurred during a period of rapid inflation and 'cost-of-living' demonstrations in Port Moresby which rattled the Government. As Ross Garnaut remembered it: 'A Minimum Wages board awarded large increases in the urban minimum wage after a series of hearings that were well tuned to the political hysteria of the time, without having official government advice on the stabilisation problem. At a later date, the Government became aware that urban wage developments ... had forced much of the burden of adjustment to later, harder times onto poorer, rural communities' (Garnaut 1997a, 16)

Further, the 1974 hearing determined that another Australian precedent, automatic indexation of wages against consumer prices, should apply²¹. This 'locked-in' the substantial real wage increases which had been awarded (McGavin 1991, 36-38). Of these decisions another economist commented acerbically, that

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

Soon after these events Ross Garnaut made a somewhat delphic observation: the 'coincidence of the large increase in urban wages and increased difficulties of obtaining employment would have had quite complicated effects on perceptions of the attractiveness of urban residence' in the early years after Independence (Garnaut *et al.*, 1977, 187). This remark is decodable if the Todaro model is understood as the starting point for his analysis. Garnaut was anticipating that such substantial wage increases would precipitate increased migration by jobseekers, who would be emboldened to endure even more extended periods of unemployment in urban areas. But in the longer-run this migratory impulse would be countered to some (unknown) degree by a reduced availability of employment opportunities, resulting from the impact on state expenditures and employment of the 'tapering' of Australian aid, and also from the presumed negative reaction of private employers to increased labour costs. Further, wage increases would reduce labour turnover among the employed, making life more difficult for the unemployed. 'Family-based' wage rises would encourage greater inflows

²¹ What McGavin (1991, 36) called, somewhat histrionically, 'the fatal Australian system of wages indexation' was put in place. Australian Council of Trade Unions advocate Bill Kelty appeared for the Port Moresby unions. A UPNG economist was also called as an expert witness by the union side in support of wage indexation (Cunningham, *op. cit.*), thereby bestowing, as an improbable neo-Marxian legacy, the further institutionalization of Australian capitalist industrial relations practices in PNG.

of women and children, contributing to the 'normalization' of urban population structure. Over time however this process would tend to increase the numbers of those whom Garnaut called the 'dispossessed' -- persons (perhaps born in the town) who had lost contact with village society and had no option to return to the subsistence life.

The net effect of these disparate influences on 'perceptions of the attractiveness of urban residence' was likely to be problematic. Any increase in net inward migration would very probably raise the incidence of open unemployment and increase the incentive for the unemployed to engage in informal economic activity. In the longer run, the propensity to engage in urban informal activities would be increased by rural population growth and the erosion of 'subsistence affluence' (Conroy 1974a), although greater *rural* market economic activity, including cash cropping and a thriving rural informal economy, might operate to counteract the forces of urban *immiserization*. This latter set of possibilities will be examined in the next paper in this series, concerning the highland town of Goroka and its rural hinterland.

The first Somare government did not make a submission to the 1974 MWB determination, and nor did it formulate a coherent wages policy before the end of 1975, 'by which time a large part of the increases in resources that became available to the government over the five year period [of Australia's aid commitment to PNG] had been appropriated by urban workers and public servants' (Garnaut 1981, 187). Once this was understood, the Government 'opposed strongly any [further] increase in real wages, but has not contemplated the large reduction in real wages that would be necessary to achieve balance between rural and urban benefits in the short term' (Garnaut *et al.* 1977, 191)²². On this point, at least -- the importance of the balance between rural and urban benefits and the need for sacrifices -- Keith Hart would have agreed with Garnaut. In a paper addressed to a PNG audience (Hart 1974) he emphasized the importance of 'the distribution of welfare'. This was 'so much distorted in favour of towns [that it] attracts people away from the land, even when the threat of penury does not push them off it' (Hart 1974, 11).

²² Indeed, as will be shown below, it was not until 1992 that Government grasped this nettle.

Hart was scornful of orthodox economics, as embodied in constructs such as the Todaro model, for the analysis of such situations. 'How perverse, then, to draw attention to the "minimum wage" or to "education" as *causes* of rural-urban migration!' (*Ibid.*, emphasis in original). Hart's alternative was spartan. He urged the new PNG elites to accept,

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

The failure of the elites to accept this counsel of perfection must be central to any explanation of what was to follow, whether framed according to orthodox economic theory or in terms of Hart's own political economy. In the event, as Paul McGavin would later comment, 'minimum wages remain in 1990 ... at much the same real level as in 1975. An inflexible wages policy that inhibits economic growth had been set in place' (McGavin 1991, 39). At the end of the century another commentator remarked that 'modern sector employment in private enterprises has not expanded since the late 1960s and non-mining gross domestic product (GDP) per capita has declined' (Levantis 2000, x).

Garnaut's analysis of PNG's problems started with wage levels, though his account of *causes* is more complex and nuanced than suggested by Hart's criticism, since it also revolved around Hart's *distribution of welfare*. Garnaut articulated a later, more complex version of the 'Gordian knot', first identified by Charles Rowley in 1958 (Conroy 2015). Thus:

'Wages policy is clearly very important to the containment of rural-urban imbalance. Papua New Guinea governments face dilemmas in wages policies: urban wages and salaries support much higher standards of living than are available in rural areas, and yet the living standards of nationals in the towns are very low, and are felt to be low, in comparison with the very large ... numbers of foreigners who are present in the towns. Minimum wages are also modest in relation to living standards in the most prosperous village communities. Urban

minimum wages are very high compared with incomes in rural areas, and yet much lower wages would not support the stability in the workforce that brings large benefits to productivity in some occupations. Wage and salary levels for people with special skills and long experience of formal education are very high by village standards, and yet differentials within the wage and salary structure are very small by international standards' (Garnaut *et al.* 1977, 191).

Policy options were limited because wage levels and differentials were 'locked in' by the 1975 MWB determination. Garnaut suggested government had more flexibility to improve rural-urban balance by the allocation of government expenditures, but this option was beset by political difficulties, not least the 'countervailing pressures for conspicuous expenditures in urban areas'. His conclusion was that urban unemployment would likely worsen over coming years. The problem should not be exaggerated, however, since 'urban unemployment is one symptom and, at this stage, *one minor cause of the very large national problem of inequitable income distribution*'. As unemployment grew more serious, this realization might 'expand the range of politically feasible policy options' (*Ibid.*, 193, emphasis added). Garnaut's analysis, while grounded in orthodox economic theory, was guided by a political economy not so very different from that governing Hart's view of the options facing PNG at Independence.

10. Urban growth and change, in the 1970s and beyond

To consider the consequences of wage increases between 1972 and 1975 we should examine the record of urban population and employment in subsequent years. After reviewing data from the national censuses of 1971 and 1980 (a process complicated by methodological problems)²³ Walsh concluded that 'the period 1971-80 showed continued high rates of migration to most towns, most especially to Port Moresby and

²³ Specifically, substantial over-estimate of urban populations at the 1971 census. As Walsh noted, 'urban populations were adjusted upwards (by unrecorded and unknown mathematical factors) because the enumerated populations were considered to be significantly undercounted. This assumption is now considered most unlikely' (Walsh 1987a, 26). The practical effect was to overestimate growth to 1971, and to underestimate subsequent growth to 1980 (including for the period spanning the wage increases). Revised analyses, such as those of Walsh cited here, have relied on the original, 'enumerated' census data.

Lae'. At the national level, the rate of urbanization experienced by PNG was exceptional: 'between 1966 and 1980, the urban sector ... had more than trebled (104 to 366 thousand) to include some 12 per cent of the population compared with nearly five per cent in 1966. Citizen annual population growth in Papua New Guinea between 1966 and 1980 was about 2.1 per cent; urban sector growth during the same period was at least nine per cent and for the period 1971-80, probably about eight per cent' (Walsh 1984,79).

Turning to the capital, we are also able to consider the shorter period to 1977, courtesy of an urban population study conducted in Port Moresby that year. From the 1960s the capital had experienced secular demographic change, associated with a shift from circular labour migration to more permanent urban residence. An index of this was the progressive normalization of its population, the convergence of urban age, sex and dependency ratios to national averages. Thus, the proportion of wage-earners²⁴ to population in the capital fell rapidly from 0.42 (42/100) to 0.35 between 1966 and 1971, and to 0.32 at the time of the urban household survey in 1973-74. This was the result of progressive increases in the proportion of dependents to employees (Garnaut 1979, 9). But results of the urban survey in 1977 suggested a pause in this process. The ratio seemed to stall at 0.31, 'despite very large increases in earnings per employee' after the wage increases of 1974 and 1975. Garnaut concluded that 'the maintenance of relatively high population growth in recent years seems to have been made possible *only by an acceleration in the rate of expansion of citizen wage employment* in Port Moresby' (i.e., rather than by continuation of the secular trend of increasing family formation) (*Ibid.*, emphasis added).

Garnaut showed that the proportion of work-age males in wage employment remained essentially constant between the surveys of 1973-74 and 1977, but that significant changes had occurred among the rest of the adult male population. Specifically, the proportion of men 'actively seeking work' (i.e., the 'involuntarily' unemployed) had increased, while the proportion of 'short-term visitors' to the capital (i.e., the

²⁴ The proportion of women in formal employment at the time was very small and the argument is simplified by proceeding as if the work force were entirely male.

'voluntarily' unemployed) had decreased. In sum, 'open' or 'involuntary' unemployment increased in Port Moresby between 1973 and 1977 (Garnaut 1979,10)²⁵.

Because this account has referred frequently to the 'Todaro model' and has made the case for its particular applicability to PNG towns, we should consider how the trends described here may be interpreted in terms of it. Todaro (1969) was concerned with the inflow of adult *job-seekers* to the urban labour market, rather than the total inflow of *migrants* to urban centres. It is an over-simplification of his model to attempt to relate changes in incomes and job prospects to the rate of growth of *total* urban population (Conroy 1977, 7-8; Garnaut 1979, 11). The model makes predictions about changes in unemployment levels, subject to countervailing forces. These are, first, income differentials, which were raised dramatically by the wage increases of 1972-75. Secondly, employment opportunities, which were increased in the capital by a buoyant economic environment in the immediate wake of Independence. What one would expect Todaro to predict, in the face of increased in-migration of job-seekers responding to wider urban-rural income differentials, would be greater involuntary unemployment -- and indeed this is exactly what Garnaut concluded had occurred in the first few years after the wage increases. Further -- and Garnaut thought this even more important -- the 1977 data suggested 'a workforce characterized by much lower rates of employment turnover, which possibly emerged in response to the increased wages through 1974' (*Ibid.*,11). Lower turnover made life more difficult for incoming job-seekers.

These countervailing forces combined to produce a situation in which a more highly-paid workforce was now operating in a much tighter labour market. Because the rewards for patience in job-search were higher than ever before, the unemployed were prepared to hang on longer in town. This situation should have been more favourable to the emergence of informal economic activity, particularly as the numbers of young people who were 'dispossessed' by reason of having grown up in the city were also increasing. In future years the longer-term implications of inordinately high urban wage levels (inordinate by comparison with rural living standards) would work through urban society, sometimes with unpleasant results. As we have seen, crime was a

²⁵ See also Garnaut, Baxter, Krueger (1983, 151-58) for the continuation of these trends to 1980.

category of informal economic activity recognized by Hart (Section 7, above). Theodore Levantis later attributed the spectacular increase in criminality in late twentieth century Port Moresby to the operation of these economic forces (Levantis 1997b).

Port Moresby appeared to be alone among the towns in enjoying a high rate of population growth over the whole period 1971-77 (Garnaut 1979, 11). Further, over this period, only in the capital was rural-urban migration of much greater significance than natural increase in determining total population growth (Conroy 1982a,18). Considering the longer period to 1980, the national census in that year permitted analysis of 'duration of residence' data for urban areas and of inter-provincial moves before and after Independence. After examining this, Walsh thought it 'reasonably clear' that the capital 'had experienced a high, and possibly an increased rate of migration, and therefore of [population] growth, *since* Independence' (*Ibid.*,80, emphasis added). Reflecting its central position -- at least politically and bureaucratically, if not geographically -- Port Moresby was emerging as a 'primate' town.

Just before self-government, Anthony Clunies Ross (1971, 473) had written that 'viewed as a national economy' PNG was 'one of the least internally integrated'. In the absence of anything resembling a national road system, a number of port towns (Rabaul, Madang, Lae, Port Moresby and others) had each served its own hinterland, oriented to export-agriculture or mining and largely cut off from the rest of the country. Aside from the administrative functions of government and Christian missions, these towns were focal points for local commerce, transport and communications. Each (with the exception of Port Moresby) existed primarily to conduct trade between its hinterland and external markets. At the end of the 1960s, in aggregate terms, commercial production centred primarily on exports (40 per cent of market sector net national product in 1969/70) while imports of goods and services were 55 per cent of market sector gross national expenditure.

The market for domestic produce was small and localized. As Clunies Ross noted, 'only a very small proportion of urban cash spending on food goes on local vegetables, fruit, fish and meat, which include the traditional staples'. He commented that 'presumably [imported] rice, flour, sugar and tinned fish and meat are more conveniently procured than the corresponding local foods, and in some towns they are much cheaper per unit

of food value' (*Ibid.*). Domestic production and marketing of food in and around Port Moresby increased 'markedly' in the 1960s (though only to an annual total of \$5m, as against food imports to the town of \$37m in 1970) and prices were rising in the face of excess demand (Langmore 1972, 26). This situation suggested a capacity for incremental advance towards replacing food imports. A decade later Ross Garnaut was more sanguine about the state of the domestic market for agricultural produce, citing 'informed estimates' of annual national marketed produce worth some K100m, perhaps as much as 12 per cent of private final consumption expenditure, with sales growing faster than population in urban areas (Garnaut, Baxter and Krueger 1983, 94-95).

This account will not examine the post-Independence economy in detail. Suffice to recall here that the full impact of what Garnaut had called the 'structural change' in urban wages, occurring between 1972 and 1975, played out over the rest of the century. After PNG assumed responsibility for managing its own exchange rate in 1975, the circumstance that wages had become subject to indexation against consumer prices (the 'lock-in' of real wage increases) carried with it an unfortunate consequence. The price effects of any currency devaluation (in an open economy where a large proportion of 'wage-goods' were imported) would flow directly through to the consumer price index and hence to increased nominal urban wages. It was necessary to work around this situation to find a feasible approach to macroeconomic management.

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

During one such episode, between 1980 and 1982, Garnaut, Baxter and Krueger recommended that a 'major macro-economic adjustment' would be necessary. In order to avoid the threat of 'entrenched stagnation', this would require, among other measures, 'an increase in the price of tradable goods relative to labour of around 25 to 30 per cent for adult workers in Port Moresby' (*Ibid.*,234). But such a target, implying a corresponding devaluation of the Kina, was 'simply not possible to achieve ... under the wage indexation arrangements'. At this time a Government submission to the 1983 MWB proposed gradual changes to indexation procedures to achieve the desired result over an extended period. A more drastic alternative -- a 'sudden approach' -- was also canvassed. To be achieved by a substantial 'one-off' devaluation, the latter would require abandoning or suspending indexation. It would impose an overnight reduction of wealth and living standards on certain groups, very likely arousing political resistance (*Ibid.*,234-36).

Not surprisingly the gradualist approach prevailed, but the underlying problems remained. It would take a crisis situation, occurring a decade later, for the stalemate to be broken. A *deus ex machina* emerged to compel PNG authorities to float the Kina in 1994, removing the policy settings responsible for the impasse. These events occurred almost two decades after Garnaut had suggested, with grim foresight, that economic distress might eventually 'expand the range of politically feasible policy options' (Garnaut *et al.* 1977, 193). In 1989, armed conflict in Bougainville led to closure of the mine with associated disruption of agricultural exports, together inflicting a loss of some 15 per cent of GDP and necessitating a 10 per cent devaluation of the Kina (Bank PNG 2007, 240). An MWB determination in 1992 established a new and substantially lower urban minimum wage for new job entrants and dispensed with automatic wage indexation. This removed the feedback mechanism threatening import-induced wage-price spirals.

Then in 1994 the Kina was allowed to float, after fiscal indiscipline made assignment of the exchange rate to manage domestic inflation no longer feasible. As a result the exchange rate of the Kina declined dramatically to the end of the century, forcing up import prices and imposing substantial effective wage cuts on the urban work force. Another account of these events (Chand and Yala 2009) gave a rather bleak summation

of their impact on the formal economy, suggesting that earlier hesitation had been costly:

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

On the other hand, the change in the economic environment appeared favourable to the emergence of indigenous micro-entrepreneurs, providing a fillip to informality. Reduced purchasing power of urban workers and higher Kina costs of imported wage-goods stimulated an expansion of domestic production, especially fresh foods for urban markets, and the emergence of intermediary processes reaching beyond the restricted hinterlands of the old colonial centres. For better or worse, the devaluation of the last years of the century offered the prospect that an informal economy serving the consumer needs of low income urban people might at last become economically feasible, while the continuing erosion of subsistence affluence in many parts of the country had acted to increase its *social* feasibility. This is not to deny gradual progress towards developing domestic markets for agricultural produce in the earlier period after Independence (see, for example, Connell [1997, 71-74]) but the drastic changes in price ratios after 1994 were of a different order.

In the longer run, someone (well, this writer actually) revisiting the capital's produce markets in the 21st century after an absence of thirty years would be astounded at the increase in quantity, range and quality of fresh produce. The emergence of a proto-national market for certain crops, including staples and betel nut, was associated with further development of a rural informal economy. Scarlett Epstein's 'producer-sellers' were of diminishing importance in the major urban markets as a range of intermediary operators had begun to appear. These changing processes, and the newer manifestations of what I have called 'hybridity', are for others to describe and explain.

The Faber report's comment (ODG 1973) that 'urban artisan and service activities are as yet virtually non-existent' is no longer true, although this element of Hart's 'urban informal sector' still appears to lack volume, variety and imagination, while Hart's 'illegitimate' informal activities, notably various forms of criminality, continue to flourish. In the weft and warp of the cloth of Port Moresby life informality's elusive thread has become increasingly visible.

11. Conclusion

This study has centred on Port Moresby during the period 1945-75. It has traced the tentative emergence of what Keith Hart called an 'informal sector' of economic activity, in the context of late colonial economic history. Only in the late colonial period did a genuine indigenous voice emerge in the legislature, with *Pangu* assuming power on the eve of self-government. Discussion of the potential for an informal economy in PNG commenced when Hart came to Port Moresby as member of a consultant team, the Faber Mission of 1972. This had been recruited to recommend policies for the soon-to-be independent nation. Hart was surprised to find that economic informality, while emerging in rural areas, was still largely absent from PNG's towns. His account of the Mission, and the political currents at play, has been central to this paper.

The Faber Report placed informality at the heart of its strategies for development. This line was adopted enthusiastically, if briefly, by the new government. The paper has dealt with the ideological ferment surrounding these events and the brief and unsuccessful attempt to stimulate informal sector activity by 'formalizing the informal'. It recounted early discussions of a 'bazaar economy' in urban PNG, prefiguring Hart's ideas, and examined the slender evidence for the existence of an informal sector in 1970s Port Moresby. The narrative has attempted to explain cultural and economic reasons for this *lacuna* -- the absence from the capital of a phenomenon found almost ubiquitously in the developing world. This situation raised issues of the cultural capacity for specialization and exchange, and for entrepreneurship, matters which are perhaps less amenable to orthodox economic analysis than, for example, issues of wages policy.

The paper has described informality as closely linked with another issue, the need for an appropriate regulatory framework for formal employment. Such employment is the

obverse of informal livelihood, and informality may be defined in opposition to it. A framework for formal employment was needed to facilitate a necessary transition from the colonial system of indentured labour, which relied on short-term, circular migrant workers, unaccompanied by families. In urban areas the system had been maintained by tight regulation of rural-urban movement and urban residence, constraints which weakened progressively during the late-colonial period. To achieve a free and more productive work force, living in towns with 'normal' demographic structures and committed to long-term urban residence, required efforts to break what has been called here a 'Gordian knot'.

This 'knot' originated in the nexus between the retarded urbanism of the colony, its archaic processes of wage determination and the low labour productivity characteristic of the colonial system. The paper has described progress in untangling the knot before Independence. It considered a structural shock suffered by the new State due to radical wage determinations occurring in the brief 'window' of self-government, 1972-75. Negative implications for employment growth and the constraints imposed by these events on macroeconomic management in the post-Independence period were also sketched briefly. Stagnation of formal employment, continuing growth of urban populations and the gradual erosion of 'subsistence affluence' contributed, along with macroeconomic mismanagement, to the emergence of a more vigorous urban informal economy. Elusive no more, the thread of informality in urban life became impossible to ignore.

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