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FROM PROMISE TO CRISIS: A POLITICAL ECONOMY OF PAPUA NEW GUINEA*

The island of New Guinea was one of the last parts of the globe to be subjected to European colonisation,[1] and when the eastern half of the island became independent as Papua New Guinea, in 1975, the extent of colonial penetration remained limited.

In the latter part of the nineteenth century there was some land alienation and development of European plantations in the territories that were to become Papua New Guinea, principally in the New Guinea islands (New Britain, New Ireland and Bougainville) and along parts of the north and south coast. Much of the commercial interaction between Europeans and the Melanesian population, however, involved trade: principally the exchange of copra, pearl and trochus shell, and bird of paradise skins for European goods.

Following World War I there was further plantation development, primarily by big companies, and a system of head taxes on Papua New Guineans encouraged them to produce copra and

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[1] The northeastern part of New Guinea was annexed by Germany in 1884. The same year Britain annexed the southeastern portion. The western half of the island (now the Indonesian province of Irian Jaya) had earlier become part of the Dutch East Indies. British New Guinea (renamed Papua) was transferred to Australian protectorate status in 1906, and German New Guinea was occupied by Australia in 1914 and subsequently became a UN Trusteeship under Australian administration. The two were administered jointly during World War II and continued to be governed as a single entity after the war.

to engage in wage labour. In the 1920s, discoveries of major gold deposits brought a new influx of prospectors and by the early 1930s gold had surpassed copra and coconut products as the territories' major export. At the outbreak of World War II, however, the European presence in Papua and New Guinea was still largely confined to the New Guinea islands and a thin coastal fringe; the populous hinterland of the New Guinea highlands, which in the postwar years became the main focus of the colonial administration's development efforts and a reservoir of labour for coastal plantations, had only recently been contacted by miners, missionaries and government officers, and was still largely unknown territory to Europeans.

After World War II the pace of development accelerated. The colonial administration was gradually re-established and extended into more remote areas.[2] Pre-war copra, cocoa and rubber plantations were at least partly rehabilitated and new plantations, largely in the hands of individual Australian settlers, were established. Much of the new development took place in the highlands, where coffee ('brown gold') was the main crop.

In the new, postwar, political climate, however, government policy was directed more specifically to ensuring that economic development benefitted the Papua New Guinean population. In presenting the *Papua New Guinea Provisional Administration Bill 1945*, Australia's Minister for External Territories told the Australian parliament:

> This Government is not satisfied that sufficient interest had been taken in the Territories prior to the Japanese invasion . . . the Government regards it as its bounden duty to further to the utmost the advancement of the natives . . . In future, the basis for the economy of the territory will be native and European industry with the limit of non-native expansion determined by the welfare of the natives generally. [*Commonwealth Parliamentary Debates*

[2] Much of the interior was declared 'restricted' until well into the 1950s, however, and some areas were still restricted in 1970.

(House of Representatives) vol.183:4052-54, 4 July 1945]

Settler plantations, on leased land, were seen in part as a means of stimulating Papua New Guinean smallholder cashcropping, and by the mid 1960s smallholder production of coffee exceeded plantation output. Government expenditures on education, health and physical infrastructure expanded markedly; cooperatives and local government councils were established, and early steps were taken to identify and assist entrepreneurs.

In 1950 the first of a series of UN visiting missions came to Papua New Guinea to review Australia's performance of its mandate in New Guinea. It called for increasing participation of Papua New Guineans in the economy and in politics. A Legislative Council was established the following year. Shortly after this the Australian government commissioned a team from The Australian National University to review the development needs of Papua and New Guinea; their report recommended that priority be given to the development of smallholder agriculture, the establishment of a road system, and fiscal reforms; they also endorsed the administration's policy of limiting land alienation (Spate, Belshaw and Swan 1953).

Development proceeded on a broad front during the 1950s and 1960s, though there was considerable ambiguity about the objectives of Australian policy, with many in Australia and Papua New Guinea believing until well into the 1960s that incorporation of Papua New Guinea as a seventh state of Australia was a serious option, and that economic self-sufficiency must precede political independence (see, for example, Parker 1970). In 1962 another visiting UN mission criticised Australia for its lack of clear forward planning (an initial five-year plan had been drawn up the previous year). Partly in response to this criticism the Australian government invited the IBRD to carry out an economic survey of the territory, and this was done in 1964.

The so-called World Bank report of 1964 (IBRD 1965) became a major focus for debate about Papua New Guinea's economic future.[3] In essence, it supported a development strategy based on maximising the growth of areas of greatest export agricultural potential, through the provision of infrastructure, credit and extension, and the encouragement of foreign private capital. It also urged investment in human capital, and advised that the level of government services (which largely reflected Australian standards) be geared to local conditions. Little was said about either mining or the possibility of industrialisation.

Although the World Bank report provided a more comprehensive review than had been previously attempted, its recommendations suggested no real substantive change of direction in existing policy. Following the appointment of an Economic Adviser (Bill McCasker) to the administration in Port Moresby, in 1967-1968 two major economic policy papers were produced[4] which, in effect, sought to provide a basis for implementing the administration's economic development strategy in broad conformity with the World Bank report. These documents provoked a lively debate, particularly amongst academics in Port Moresby and Canberra, progressives within the Reserve Bank of Australia's Papua New Guinea Department, and Papua New Guinea's emerging nationalist elite.[5]

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[3] See reviews of the report by P.W.E. Curtin, in *New Guinea* 1(1) March/April 1965:52-58, and by H.C. Coombs and B. Schaffer, in *New Guinea* 1(2) June/July 1965:62-69, 72-79.

[4] *Territory of Papua and New Guinea, Economic Development of Papua and New Guinea, prepared by direction of the Administrator* (Port Moresby, 1967); *Programmes and Policies for the Economic Development of Papua New Guinea*, prepared by direction of His Honour the Administrator (Port Moresby, 1968). Also see *Papua New Guinea, The Development Programme Reviewed. Prepared in the Office of Programming and Co-ordination by Authority of the Administrator's Executive Council* (Port Moresby, 1971).

[5] R. Kent Wilson, 'Priorities in development', *New Guinea* 2(4) January 1968:40-46; P.W.E. Curtin, 'How to be inconsistent', *New Guinea* 3(1) March/April 1968:19-24; R. Crocombe, 'That five year plan', *New Guinea* 3(3) December 1968/January 1969:57-70; J. Kaputin, 'Australia's carpetbaggers', *New Guinea* 4(1) March/April 1969:35-42; H. Arndt, R. Shand and E.K. Fisk, 'An answer to Crocombe – I, II, III', *New Guinea* 4(2) June/

The existence, in the late 1960s of an articulate nationalist group was itself a reflection of the increasing pace of political development. From the largely administration-dominated Legislative Council, Papua New Guinea had progressed to its first national elections in 1964 and its second in 1968. Although the first two parliaments continued to be heavily influenced, if not actually dominated, by appointed and elected expatriates, and although a sense of national purpose was still embryonic, the lead-up to the 1968 election saw the emergence of Papua New Guinea's first major political party, the Papua and New Guinea Union (PANGU Pati), and growing demands for increased Papua New Guinean participation in politics and the economy and for early independence. Expectations of political change were further stimulated by the 1969 visit of Australian parliamentary opposition leader Gough Whitlam, who promised that if elected he would grant Papua New Guinea independence. By the late 1960s, also, construction had commenced on what was to be one of the world's largest gold and copper mines, at Panguna on Bougainville. Though there was early opposition from local landowners, the Bougainville mine promised to give the young nation a degree of economic security substantially greater than was implicit in dependence on export agriculture.

In 1972 Whitlam became prime minister in Australia. The same year Papua New Guinea's third national elections brought to office the territory's first truly Papua New Guinean government, a coalition headed by Pangu Pati's Michael Somare. The following year Papua New Guinea became self-governing and in September 1975, in the face of some opposition from leaders in the more recently-contacted highlands (who feared economic and political domination by the better educated coastals), it achieved independence.

July 1969:54-71; R. Crocombe, 'Crocombe to his critics', S. Epstein, 'The plan's assumptions', M. Reay, 'But whose estates?', *New Guinea* 4(3) September/October 1969:49-68.

Within Papua New Guinea the period of transition to independence, from around 1969 to 1975, was one of intense debate and, relative to the preceding decades, very rapid change. Increasing political awareness, and rising levels of education (the University of Papua New Guinea produced its first graduates in 1970) was reflected in widespread public discussion of Papua New Guinea's development options, including alternative models of economic development from Tanzania and China.[6] Following Somare's election in 1972 as chief minister (a position which in 1975 translated into prime minister) the office of the economic adviser was closed and a new Central Planning Office was established. The same year a team led by Michael Faber from the Overseas Development Group, University of East Anglia, was contracted by the IBRD to prepare a report on development strategies for Papua New Guinea over the next five years.

The Faber Report, as the team's report became known, marked a departure from the comparative orthodoxy of previous reports. In its opening paragraphs, its authors stated:

> The model of development proposed, and the balance of development strategies recommended will be seen to be different from those incorporated in the last programme of the Papua New Guinea administration. This should not be regarded as a criticism of the last programme so much as a recognition that the situation has changed profoundly, both economically and politically . . . whatever the merits of the past programme, the consultants . . . found that the need for a marked change in emphasis was now widely recognised by those in public life and in the public service both within the Papua New Guinea administration and within the Commonwealth government. [Overseas Development Group 1973:2]

As reflected in its recommendations, the main elements of this change in emphasis were: (i) increased indigenous control of the economy and indigenisation of many forms of economic activ-

[6] See, for example, Clunies Ross and Langmore (1973); May (1973).

ity (including the public service); (ii) increases in opportunities for employment, especially income-generating self-employment; (iii) emphasis on 'projects and policies that will directly increase the incomes of PNG nationals, and of the poorest sections amongst PNG nationals'; (iv) greater emphasis on rural development, including food production and the development of urban-centres in the countryside; and (v) a progressive reduction in dependence on aid and, ultimately, foreign capital. Underscoring the change in emphasis, the authors said: 'Maximisation of the growth of Papua New Guinea's domestic product has not, of itself, been set as a long term objective . . . we believe that the emphasis of the next plan should be on localisation/indigenisation, rather than growth' (ibid.:4, 13).[7] Other recommendations included: procedures to release land for development; removal of a wide range of regulations 'imposing western-style standards of design, safety, etc.' on small scale operators; broadening of the tax base; a 'regional development package' (which included strengthening local government and cooperatives, decentralisation of service centres and development of growth points in less developed areas, and the promotion of self-help at village level); and a review of the Bougainville mining agreement.

The Faber Report resonated the predominant nationalist economic discourse of Papua New Guinea in the early 1970s. The approach was further endorsed in late 1972 by the announcement of the Somare government's eight-point 'Improvement Program'. The government's eight aims were listed:

(1) a rapid increase in the proportion of the economy under the control of Papua New Guinean individuals and groups and in the proportion of personal and property income that goes to Papua New Guineans;

(2) more equal distribution of economic benefits, includ-

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[7] In support of this priority the Faber Report quoted estimates which showed the indigenous share of domestic product declining from 32 to 28 per cent (or 68 to 56 per cent including subsistence production) between 1965/66 and 1969/70 (ibid.:13).

ing movement toward equalisation of incomes amongst people and toward equalisation of services amongst different areas of the country;

(3) decentralisation of economic activity, planning and government spending, with emphasis on agricultural development, village industry, better internal trade, and more spending channelled to local and area bodies;

(4) an emphasis on small scale artisan, service and business activity, relying where possible on typical Papua New Guinean forms of business activity;

(5) a more self-reliant economy, less dependent for its needs on imported goods and services and better able to meet the needs of its people through local production;

(6) an increasing capacity for meeting government spending needs from locally raised revenue;

(7) a rapid increase in the equal and active participation of women in all forms of economic and social activity;

(8) government control and involvement in those sectors of the economy where control is necessary to achieve the desired kind of development.

The eight aims were subsequently incorporated in the five 'National Goals and Directive Principles' included in the preamble to the constitution of the independent state in 1975. These were listed as:

1. Integral Human Development;
2. Equality and Participation ('. . . all citizens to have an equal opportunity to participate in, and benefit from the development of our country');
3. National Sovereignty and Self-reliance ('. . . Papua New Guinea to be politically and economically independent, and our economy basically self-reliant');
4. National Resources and Environment ('. . . national resources and environment to be conserved and used for the collective benefit of us all . . .');

5. Papua New Guinean Ways ('. . . to achieve development primarily through the use of Papua New Guinean forms of social, political and economic organisation').

They also provided the basis for a new economic plan, *Strategies for Nationhood* published by the Central Planning Office in 1974.

While the emphasis on localisation, equitable distribution, and decentralisation addressed issues of real and practical importance in the early 1970s, it also served broader political ends. As one who was closely involved in policy development in the early 1970s later commented: the statement of the eight aims 'was probably the closest the ministry came to expressing a general ideological stance . . . [though] like the Bible, the Eight Aims could be quoted in support of almost any proposal' (Lynch 1981:13).[8] There was, clearly, an element of romanticism in elaboration of the new development strategy, as there was in the broader contemporary philosophy of 'the Melanesian Way' (Narokobi 1980), and it was frequently observed that the eight aims did not provide a specific guide for policy formulation, and even implied conflicting directions. Moreover, McCasker and others could rightly point out that the *extent* of change in policy objectives was often overstated, since issues such as localisation, equitable and regionally balanced development, and priority to rural development had long been recognised in policy documents.

Nevertheless the strong endorsement of these values in the lead-up to independence was important, and the rhetoric was given concrete form in a number of new institutional arrangements in the 1970s.[9] These included the publication of 'Investment Guidelines' in 1973 and the creation of a National Investment Development Authority (NIDA) to regulate the direction

[8] Lynch was secretary to the cabinet from 1972 to 1979.

[9] The development of the institutional framework for economic policy-making between 1972 and 1977 is described by R. Garnaut in Ballard (1981:157-211). A more comprehensive account of policy development during the colonial period is contained in Downs (1980).

and level of foreign equity investment; the establishment of a Village Development Task Force and an Office of Village Development; the funding of a Rural Improvement Programme to support development initiatives by local government councils; the preparation of a feasibility study of regional growth centres; the creation of a National Cultural Council and provision of funding for regional cultural activities; and the promulgation of a Leadership Code and creation of the office of Ombudsman.

Responding to demands by Bougainvillean politicians and the advice of the Faber Report, in 1974 the government renegotiated the Bougainville mining agreement, securing what was generally accepted as a better formula for the government. At the same time a Mineral Resources Stabilisation Fund was created, to even out the impact on the budget of fluctuations in the flow of revenue from the mine.

On independence, then, Papua New Guinea could count, on the positive side: a reasonably diversified, and generally healthy, export-based agricultural industry; one of the world's largest copper and gold mines already in operation, and other mining and petroleum projects in prospect; a framework of soundly based policy-making and financial institutions; a healthy subsistence economy; and an ideological commitment to an open economy – though with some provisions aimed at achieving increased local participation in business – and to policies of interpersonal and inter-regional equity in the distribution of benefits from development. The negotiation of a five-year development assistance agreement with Australia also gave the independent government the initial security of fairly generous budgetary support.

As against this, amongst a number of negative factors, Papua New Guinea inherited: a workforce which was, relative to other countries in the region, low-skilled and highly paid (making industrialisation a difficult development option);[10] a large and

[10] For a critical discussion of wages, productivity, non-wage costs, and the possibilities for industrial manufacturing see Mannur and Gumoi (1994).

mostly inexperienced public sector workforce and a level of government service provision which could not be sustained without external assistance (in 1975/76 28 per cent of government income came from the Australian aid grant, and in 1976/77 39 per cent); an economy heavily dependent on commodity prices over which Papua New Guinea had no control; a high population growth rate (around 2.4 per annum between 1970 and 1975); and an emerging problem of maintaining law and order.

During the first decade or so of independence, economic performance was generally satisfactory: although increases in real GDP were small (averaging 1.4 per cent over the period 1976-1985) they were, except for one year, positive; there was a gradual diminishing of dependence on aid; and, under the government's 'hard kina' strategy,[11] economic management was sound. In 1982 a second large gold and copper mine had come into production at Ok Tedi, and further mining and petroleum prospects were being developed or investigated at Porgera, Mt Kare, Misima, Lihir, Kutubu and Hides. Notwithstanding this, the rate of growth in real GDP declined each year from 1987, with negative growth rates in 1989 and 1990 after a rebellion led by disgruntled landowners in the Panguna area forced the closure of the Bougainville mine. GDP then increased strongly in the early 1990s before slumping again in 1994.

In the period of accelerated development between 1945 and 1975, the government sector was a major contributor to growth, particularly in promoting agricultural development and small business. In 1974/75 government spending represented 36 per cent of market GDP and public sector employment accounted for 28 per cent of the formal workforce. Following independence, government spending was sustained at what were, by regional standards, fairly high levels by development assistance from Australia, mostly in the form of general ('untied') budgetary assistance. In the early post-independence years, consistent both

[11] For an early discussion of the hard kina strategy see Dahanayake (1982 Part V), and Garnaut and Baxter in consultation with Krueger (1983).

with the Papua New Guinea government's stated aim of self-sufficiency and with the policy of the Australian government, the level of development assistance was progressively reduced, falling from around 40 per cent of government revenue at independence to 25 per cent in 1985 and 17 per cent in 1988. This was substantially offset by increases in taxation revenues, principally from the Bougainville copper mine, which in 1988, before its forced closure, contributed around 17 per cent of government revenue.

The closure of the Bougainville mine deprived Papua New Guinea of a major source of government revenue and export earnings. Nevertheless, government spending continued to rise. Already in 1986 there were warnings about excessive government spending and of a bias to recurrent spending at the expense of maintenance and new capital expenditure. Nevertheless, in many rural areas, from at least the mid 1980s there was a visible deterioration of roads, schools, aid posts, and other capital. The effects of this were often exacerbated by destruction of assets as a result of tribal fighting, 'payback' for non-payment of demanded compensation, or vandalism. Problems of maintaining law and order had emerged in the 1970s, but reached new levels in the 1980s; the first of several states of emergency was declared in the national capital, Port Moresby in 1984 and the Papua New Guinea Defence Force (PNGDF) was called in to provide assistance to civilian authorities.[12]

Following a change of government in 1985, which brought highlander Paias Wingti to the prime ministership, there was also an increasing politicisation of the public service. This was underlined in 1986 by the introduction of a *Public Services (Management) Act*, which effectively emasculated the quasi-independent Public Services Commission and greatly facilitated the government's control over public service matters (see Turner 1991).

As well as cutting off revenue from the mine, the Bougainville

[12] This was authorised by Section 202 of the constitution. For a discussion of the PNGDF's role in assisting the civilian authorities, see May (1993).

crisis made additional demands on expenditure: defence spending rose from K40 million in 1988 to K92 million in 1991, and from 4.3 to 7.7 per cent of total government expenditure; moreover the Defence budget was repeatedly overspent (by a massive 81 per cent in 1991). Notwithstanding this, in 1993-94 PNGDF aircraft and boats could not be used because the PNGDF could not pay for fuel and maintenance.

With expenditure growing in excess of revenue, government borrowing expanded to cover the resulting deficits. By 1994 debt repayment and servicing represented about one third of government spending and the government was facing a fiscal crisis.[13] In March 1994 the government introduced a 'mini budget' and three months later negotiated a loan of $US102 million from a group of overseas private lenders based in the Cayman Islands on the condition that interest on and repayment of the loan have first call on mining and petroleum revenues which would otherwise be directed to the Mineral Resources Stabilisation Fund. By this time the government owed substantial amounts to local creditors (including members of the Papua New Guinea Defence Force) and its international credit rating was being downgraded.

In August 1994 there was a further change of government which brought in a new coalition headed by former finance minister and prime minister Sir Julius Chan. Within weeks of taking office the Chan government first devalued and then floated the kina, but persistent fiscal and foreign exchange difficulties forced the government in 1995 to negotiate an emergency loan brokered by the World Bank. Popular protest at some elements of a structural adjustment package attached to the loan was expressed in public demonstrations. The following year a World Bank-led

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[13] For a more detailed commentary on developments in the early 1990s see *Pacific Economic Bulletin* 10(1) 1995, Special Issue on Papua New Guinea; AIDAB, *The Papua New Guinea Economy. Prospects for Sectoral and Broad Based Growth*. International Development Issues No. 30 (Canberra, 1993), and AusAID, *The Economy of Papua New Guinea. 1996 Report*. International Development Issues No. 46 (Canberra, 1996).

mission visited Papua New Guinea but after an acrimonious exchange with Papua New Guinea officials left without completing consultations, and payment of the second tranche of the loan was postponed.

In 1994 Papua New Guinea's per capita GNP was $US1474, about three times the level at independence, placing it amongst the middle range of developing countries (above Indonesia and the Philippines). However, on a range of social indicators Papua New Guinea was ranked amongst the lower-income developing countries, and in most areas covered by these indicators improvements from 1975 were more modest.

Given its fortunate resource endowment, its early aspirations, and its generally sound beginnings, why has Papua New Guinea's economic performance been so disappointing, and what are its future prospects?

Before addressing these questions at a broader level it is necessary to make an initial point about the principal economic aggregates. Although commodity prices generally improved in the early 1980s, low levels of growth in GDP, a steady decline in the real value of Australian development assistance, a high population growth rate, and high expectations on the part of Papua New Guinea's citizens, placed severe strains on government financing. Papua New Guinea's second large gold and copper mine, at Ok Tedi, came into production in 1982, but because of tax concessions written into the Ok Tedi agreement the mine did not make a direct contribution to public revenue until 1987. Soon after this the Bougainville crisis took away the revenue from the Bougainville mine and imposed new costs of maintaining internal security and providing for restoration and rehabilitation. As a result, the additional revenue from Ok Tedi and other minerals projects coming on stream in the early 1990s did little more than fill the gap created by the loss of revenue from Bougainville and the continuing decline, in real terms, of Australian aid. In other words, the so-called 'mining boom' was largely illusory; the real effect of the boost from new mining and petroleum projects was not so much to finance new levels of expenditure as (at least initially) to prevent a fiscal collapse.

However, the failure of successive governments to deal effectively with an emerging fiscal crisis reflects more systemic factors in Papua New Guinea's political economy.

As noted above, during the colonial period, and especially in the period of accelerated development from 1945 to 1975, government played a major role in development. It promoted agricultural development (especially smallholder development) and marketing; it encouraged small-scale indigenous business; it financed the provision of education and health services (with continued assistance from the churches); and it provided basic infrastructure.

In the post-independence period smallholder agriculture continued to expand, though certainly not evenly across the country. But plantation agriculture had mixed fortunes: while plantation-based oil palm production flourished, the traditionally dominant plantation crops – copra, cocoa and rubber – languished. In the pre-independence period many foreign-owned plantations were run down in anticipation of expropriation or sale to Papua New Guineans; many were sold, often subdivided, and with agricultural commodity prices generally down in the latter part of the 1970s, and frequently inexperienced management, many plantations performed poorly.[14] Apart from agriculture: for a number of reasons, largely cultural, small business ventures, including cooperatives, had very limited success,[15] and manufacturing growth was predictably modest. Consequently, while some Papua New Guineans prospered as a result of salaried employment, income from small business or self employment, rent from urban land, or smallholder agriculture (especially coffee, but increasingly also betel nut and food crops),

[14] Plantation agriculture was the subject of a conference in Port Moresby in 1980; see Walter (1982).

[15] Indigenous business ventures were the subject of extensive studies in the late 1960s and early 1970s. See, for example, Wilson (1972) and Andrews (1975), and references cited therein.

most found themselves with small cash incomes, increasing demands for cash (e.g. for education and transportation), and, in many rural areas, deteriorating infrastructure and diminishing access to government services. Often these problems were compounded by increasing pressure on land and growing rural and urban lawlessness.

In this context, the prospect of substantial revenue and infrastructural development from large-scale mining and petroleum prospects, and subsequently from logging, had an obvious appeal to a national government facing heavy demands for public expenditures, a weak tax base, and declining real levels of development assistance. For some communities, also, the immediate prospect of payments from minerals and forestry projects outweighed considerations of longer-term costs. But for those communities which did not have the prospect of large-scale resource exploitation, development options were fewer; and when government failed to meet their developmental demands, they often turned away from, or against, government.

In the lead-up to independence there was a general assumption that political parties would develop in Papua New Guinea to match the country's essentially Westminster-style parliamentary system, and that the emerging nationalism of the early 1970s would provide the basis for a developing sense of national identity. In fact, neither expectation was fulfilled. While three parties – Pangu (notwithstanding two major splits), the Peoples Progress Party and the Melanesian Alliance – have been a significant force now for more than two decades, other parties have proved transient; the major parties have never been sharply differentiated ideologically, nor have they developed a substantive mass base; mostly they have revolved around a few key individuals and have displayed strong regional biases; party discipline has been weak and membership fluid. Since the first Papua New Guinean government emerged from the elections in 1972, every government has been a coalition government and both 'party hopping' and changes within coalitions have been fairly common. Of the six changes of government which have occurred since 1972, three have been the result of votes of no confidence precipitated by coalition shifts. Moreover, each successive election has seen a larger number of candidates contesting. Along with this there seems to have been an increasing tendency for candidates *not* to align themselves with parties (or to loosely align themselves with more than one), in order to maximise the bargaining power of successful candidates in the post-election horse-trading that accompanies attempts to put together a winning coalition. Taken in conjunction with the high turnover of MPs at election time (in all but one election since 1972, 50-55 per cent of members have failed to gain re-election), this has produced a system strongly inimical to rational long-term policy making and particularly prone to politicians seeking short-term advantage. Political candidates outlay relative large sums to get elected and incur debts to their supporters; if elected they naturally seek to recoup these outlays, with interest, and to reward their supporters. In implicit recognition of this in early 1996 each MP was receiving K0.5 million from an Electoral Development Fund for discretionary allocation within his electorate.

Popular realisation that most politicians seek election for personal and parochial gain, and that those who have 'their' MP in parliament stand to do better than those who do not, has encouraged the view that politics is a form of *bisnis*. While this has brought about increased (and increasingly confrontational) competition for parliamentary office, it has also produced considerable popular cynicism about politics and politicians. Such cynicism has tended to undermine the perceived legitimacy of the state – a legitimacy already challenged by Papua New Guinea's poorly developed sense of nationhood and the continuing political salience of parochialism, regionalism – Papuan, Highlands and Islands – and (in the case of Bougainville) separatism.

In 1975 Nigerian scholar Peter Ekeh suggested that the colonial experience in Africa had produced 'a unique historical configuration'. Ekeh distinguished two public realms in post-colonial Africa: a ‘primordial’ public realm, governed by ‘primordial groupings, ties, and sentiments’, and a colonially derived ‘civic’ public realm. Most educated Africans, Ekeh argued, are members of both these public realms:

> On the one hand, they belong to a civic public from which they gain materially but to which they give only grudgingly. On the other hand they belong to a primordial public from which they derive little or no material benefits but to which they are expected to give generously and do give materially . . . their relationship to the primordial public is moral, while that to the civic public is amoral. The dialectical tensions and confrontations between these two publics constitute the uniqueness of modern African politics . . . The unwritten law of the dialectics is that it is legitimate to rob the civic public in order to strengthen the primordial public. [Ekeh 1975:108]

The effects of this confrontation, according to Ekeh, included ‘tribalism’ and corruption.

The recent political economy of Papua New Guinea suggests that the African situation is less unique than Ekeh suggested. In a 1996 speech to a conference in Port Moresby, former finance secretary and central bank governor, Mekere Morauta said: ‘. . . the most corrosive and intractable problem we face now is corruption’. Morauta went on to talk about ‘the institutionalisation of short-term ad hoc decision-making and the catastrophic decline in the power, status, morale and productivity of the bureaucracy’, a development which he dated to the mid 1980s (Morauta 1996). [In July 1999 Morauta became prime minister.]

In the past decade or so corruption has become entrenched in Papua New Guinea, notwithstanding the restraining influences of the Leadership Code and the Ombudsman Commission. Such corruption takes two forms: that in which individuals use their position within the state for personal gain, and that in which individuals use their position to transfer resources, in Ekeh’s terms, from the civic public to the primordial public. The first of these, as Ekeh suggests also for Africa, is unlikely to be sustainable in the longer term unless individuals can isolate themselves from the demands of their primordial publics. The second form, on the other hand – the transfer of resources from the civic to the primordial public realm – is, with some exceptions, regarded as corruption only by those who are not beneficiaries. It is expected of politicians that they will reward those who voted for them, and where a sense of nationhood and of loyalty to the state is poorly developed, and expectations of political longevity are low, it is accepted that politicians will squeeze as much as possible out of the state, and will do so within a short time frame. Moreover, once this pattern of behaviour becomes established amongst politicians, it is likely to spread within the public service: bureaucrats will tend to favour their *wantoks* in the provision of services or to seek special favours from those to whom services are provided. Such factors largely explain the increasing competition for political office, noted above, and the increasing politicisation of decision-making.

Such behaviour is not restricted to those with direct access to the resources of the civic public realm. Across the country, in rural and urban areas, citizens demand additional compensation for land purchased earlier by government for schools, airstrips, roads, towns, and other public facilities, and often threaten violent action if their demands are not met. (In one case which I have observed at close quarters over a number of years, villagers have claimed large amounts of additional compensation for land on which a provincial high school was built some years ago. They have pressed their claims by attacks on the school and its students and teachers, at one stage burning down a building. Unable to meet the villagers' demands, the provincial government eventually proposed to close the school and relocate it elsewhere. At this stage the villagers – many of whose children attend the school – dropped their claims; but following the election of a new provincial government the demands were revived.) In recent years, also, the judicial system has upheld the demands of villagers for compensation from government for damages inflicted by police in raids on villages.

In a more extreme form, the breakdown of law and order is itself a form of challenge to the state. *Raskols* frequently justify their actions by reference to corruption amongst those in power and the failure of government to meet the needs of its citizens. The inability of the police and defence force to deal with the incidence of crime, 'tribal fighting', and the rebellion on Bougainville underlines the weakness of the state, and the scale of raskolism (and the occasional murder, by his kin group, of a *raskol* who oversteps communal propriety attests to the symbiosis between *raskols* and their primordial public).

Beyond the public sector, similar processes operate. In areas of large-scale resource development, communities have often, initially, welcomed the presence of big companies; particularly in remote areas, they tend to see them as a source of not only income but also infrastructure and development more generally. But they are quick to demand renegotiation of agreements if they think they can get a larger share of the profits, and have used or threatened force to back their demands; the Bougainville mine was the first to be forced to close, but others have been forced to close temporarily and all are vulnerable to local protest action (and local politics is often complex).

In recent years there has been a growing literature on 'weak states', 'collapsed states', 'predatory states', and so on, and attempts, by the World Bank and others, to address the problems of such states in terms of creating 'good governance'. Papua New Guinea displays the typical characteristics of a weak state. What this paper suggests is that unless Papua New Guineans acknowledge and respect the legitimacy of the state – in Ekeh's terms acknowledge moral obligations to the civic public realm which outweigh primordial obligations – the state will remain weak and policy-making will be characterised, to use the words of Oil Search Ltd chairman Trevor Kennedy in May 1995, by 'inconsistency and lack of discipline'.[16] Ultimately the unpredictability of policy-making and its subservience to primordial interests, and the inability of government to maintain a secure economic environment, will not only discourage foreign investment but will inhibit indigenous enterprise as well. (Already, in some parts of the country coffee and cocoa buyers do not go out on buying trips because they fear attacks by *raskols*.)

Judged against the eight aims elaborated in 1975, Papua New Guinea's economic achievements have been modest. Though less dependent on overseas development assistance, the economy remains heavily dependent on imports of goods and services and its major industries remain substantially foreign-owned. Inequality in incomes and access to government services, both personally and regionally, has probably increased. Outside the subsistence sector, women play a minor role in economic and political affairs [at the time of writing, in late 1996, there was not a single woman in the 109-seat National Parliament; two women were elected in 1997]. And changes to the provincial government system in 1995 appear to be designed to centralise rather than decentralise decision making. The situation in 1996, 21 years after independence, was described by Morauta in the following terms:

> Despite the five-fold growth in government expenditure and revenue, the country's infrastructure is breaking down. Government services have declined to the point of being non-existent in many areas. Public assets, whether they be schools, hospitals, offices, roads or bridges, are all in a state of disrepair. Our exports earn more than three billion kina each year, yet we have an underlying shortage of foreign currencies. GDP has grown five times but the distribution of income is more skewed and less equitable than in 1975. Nominal per capita income has more than doubled, but 80 per cent of the population actually earn less than the 1975 average. Corruption, both petty and profound, permeates society today. Society is ravaged by crime. There is a general inability to

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[16] 'Chairman Trevor Kennedy's Address. Oil Search Ltd. Annual General Meeting, Port Moresby – Tuesday 9 May, 1995'.

> enforce or maintain law and order. Social inequity and poverty are rampant. [Morauta 1996]

In this paper I have argued that Papua New Guinea's failure to capitalise on its fortunate resource endowment and its early promise of sound and equitable policies is not just a question of 'bad management', but reflects the non-emergence in the post-independence years of a sense of national identity and purpose. The persistence of predominant loyalties to locality and kin, and the historical image of the state in Papua New Guinea as a provider of free goods and services, has promoted a political culture in which, as Ekeh has argued for Africa, those with direct access to the state tend to use their positions to benefit themselves and their 'primordial publics', and those who receive rents from large-scale resource projects continuously seek to renegotiate more favourable agreements. Such a situation has all the hallmarks of a weak state: policy making tends to be short-term and often capricious; governments have difficulty implementing decisions, and corruption and lawlessness are becoming endemic.

There are, nevertheless, positive elements in the Papua New Guinea case: the country has maintained a robust democracy, there are strong redistributive elements in local cultures, and although population growth rates threaten the long-term well-being of some agrarian communities, the country is resource rich. If the present perception of economic crisis can precipitate a commitment to rational long-term policy making perhaps the present worrying trends can be reversed. But before that can happen there needs to be a major change in political perceptions.