In recent years much academic and official attention has been given to the attempts to stabilise agricultural commodity prices in Papua New Guinea. Explanations tend to focus on what are described as macro and microeconomic analyses, which seek to link national with individual objects. A supposed national need for increased volumes of the major export crops to meet balance of payments goals is invariably joined in an uncritical manner with household requirements for higher income levels met through raised marketed output. According to various accounts, stabilisation schemes either do or do not successfully assist the meeting of these two intertwined sets of objects (Jarrett and Anderson 1989; Fleming and Coulter 1992).

A principal role of commodity stabilisation schemes is rarely recognised, however. That role was present from the inception of the funds and over the last decade has become of greater importance—their role in restricting unemployment, especially in the countryside. Controlling the rate of unemployment growth has been a central concern of colonial and post-colonial governments. The primary reason for the concern has been the overwhelming fear that those who did not work would threaten the existing social order. Unemployment, it has been feared, would produce disruption and possibly even revolt.

Commodity stabilisation schemes were intended to support a continuous expansion in the numbers of rural households which produce export crops. Through the expansion, under what has been described as a scheme of household...
production (Thompson and MacWilliam 1992), increased numbers of households have been attached and re-attached to smallholdings. Coffee has been the most important crop involved, with cocoa, copra and oil palm also significant.

Since the early 1970s, the policy has been threatened by international and domestic conditions. At the same time as global markets became weighed down by ever greater surpluses, it became more difficult in Papua New Guinea to maintain the attachment of a rapidly growing population to land and other means of production. Forms of wage employment were also unable to soak up the growing surplus labour force. Maintaining prices paid to farmers, or even slowing the decline in prices paid for export crops and thus encouraging further household production increases, became vital if smallholder agriculture was to restrain the rate of increase of the unemployed.

Parallel with the decline in international market prices, agricultural exports decreased in importance in Papua New Guinea’s balance of payments. As stabilisation funds ran out, it became necessary to divert state revenues to crop producers. Concurrently, the threat to social order from forms of lawlessness and revolt in the countryside became greater. In such circumstances leading politicians, if not all academic economists, increasingly urged continued support for stabilisation funds as a means of defending social order.

Post-independence politicians have come to sound more and more like the post-1930s depression Australian colonial officials who sought to encourage smallholder agriculture in order to prevent widespread unemployment and social disruption. However, unlike the years following World War II when there were global food shortages, international markets now are awash with surpluses. In these circumstances, the political role of commodity price stabilisation has become more overt and important. Even if there is a continuing commitment to stabilisation funds by national governments, it remains to be seen if the provision of revenues for disbursement in the form of price supports can slow the rate of growth of the unemployed.

The objectives of stabilisation funds

In recent years the Papua New Guinea state has been subject to the same neoliberal objections as states elsewhere. It has become fashionable to condemn stabilisation funds for failing to perform a number of tasks which the critics claim are the only possible justifications for such funds. Jarrett and Anderson (1989), for instance, suggest that not only do stabilisation funds restrict investment in agriculture relative to other sectors, they restrict the growth in producers’ incomes and advantage later entrants into the field over longer-term contributors. The operation of funds discourages growth in consumption, particularly in periods of high prices. Stabilisation also encourages increases in the numbers of producers rather than promoting smallholder differentiation based on the capacity to employ wage workers from households unable to grow export crops.

These criticisms, and others like them, are misplaced. The critics have misunderstood the principal objectives of commodity stabilisation in Papua New Guinea. They have also misconceived the dominant form of smallholder agriculture.

For copra, a form of price stabilisation was introduced in the mid-1940s, when largeholding output was still more important than production from smallholdings (Jackman 1988). However the stabilisation funds which operated for coffee, cocoa and copra during the 1980s and early 1990s (which have been the subject of criticism) were designed and
established as smallholder production became the predominant form for each crop. The oil palm stabilisation fund was established in the early 1980s as a major drop in prices threatened production, especially on the smallholdings which were central to the nucleus estate form that dominated. Each of the funds has operated within a framework of land legislation, credit provision and crop marketing, designed to ensure that the smallholder predominance would be maintained and even extended. However much stabilisation funds may have favoured plantation profits, as against higher prices for smallholders (Jarrett and Anderson 1989), the barriers against such profits being utilised for a substantial expansion of largeholdings have been great. The principal effect of the supposed largeholding bias of stabilisation funds has been to slow the demise of this form of agriculture, making replanting of higher-yielding trees and bushes possible on some of the declining number of plantations.

The smallholder ascendancy did not occur because of the strength and persistence of a non-capitalist, traditional subsistence agriculture, as is sometimes claimed (Fingleton 1985; Gregory 1979). Instead, household production of marketed and domestically consumed crops is the manner in which capital has penetrated the Papua New Guinea countryside, through a state organised and supervised scheme of smallholder production (Thompson and MacWilliam 1992). The scheme began during the late colonial period and has been maintained, although with less certainty, since independence.

Australian colonial officials, like their British counterparts, were determined to ensure that development in the colony would not be accompanied by widespread landlessness and rural indebtedness. Development as a form of capitalist advance was to be constrained so that the formation of a proletariat which had the potential to threaten the existing social order—the ‘village life’—would not occur (Hasluck 1976:131). Instead, commercialisation in the countryside would take place with checks on trading capital, including banks. The formation of a land market that made possible the spread of largeholdings was blocked, and only limited differentiation among the peasantry made possible. Labour was to be subsumed to capital through the production of export crops and immediately consumed produce while remaining attached to smallholdings. Even the wage labour employed on plantations and in state positions had a continuous connection to the holdings through women and children remaining ‘at home’, cultivating marketed and non-marketed crops. The price stabilisation funds which have operated since the early to mid-1970s should be seen as components of the policy supporting smallholder agriculture. That is, the funds were first and foremost household income stabilisation and support schemes (Wheeler and Wyatt 1978).

It is rarely noted by the critics of stabilisation funds that these were established at a time when largeholdings were subjected to two major political thrusts: a drive for land reform and redistribution to counter a growing revolt of the landless and the indigenous takeover of formerly settler-owned largeholdings. Whatever effect price stabilisation has had in supporting the latter—including giving greater confidence to banks that funds lent to indigenous capitalists for the purchase of plantations would be repaid—checking the revolt was the most important political task during the mid-1970s for the transitional state.

The spectacular post-independence coffee price boom, and parallel if lesser increases in cocoa prices, made the place of stabilisation funds even more important. Booms, like downturns, are moments when the centralising and concentrating tendencies of capital (accumulation) are accelerated. Crudely put, these are
occasions when the ‘big get bigger and the small get out’ at greater rates. As well as the possibly destabilising effect on national balances of the unexpected price increases, the consumption boom which rippled from the Highlands to the rest of Papua New Guinea threatened important terms of the prevailing scheme of household agriculture. However ‘paternalistic’ (Jarrett and Anderson 1989:73), raising levies on inordinately high prices paid to smallholders for coffee and cocoa restrained the potential for indebtedness invariably associated with consumer booms. In this respect, imposing levies was an action entirely consistent with the previously established terms of the scheme of smallholder production which blocked indebtedness leading to landlessness. The boom also encouraged households to neglect food gardens and increase consumption of marketed commodities, especially beer (Townsend 1977; Marshall 1982). The effects of the price boom became a major concern of politicians and other officials in charge of the newly independent state.

It was in these circumstances that a major review of stabilisation funds took place (Wheeler and Wyatt 1978). The review encouraged changes that were heralded as the replacement of an income stabilisation objective with price stabilisation based on long-term moving price formulae. It also signalled the importance of recent events for the conclusions reached. Most significantly, the review determined that, in addition to stabilising prices to growers, the funds should ‘boost growers’ incomes in the years of below average prices’ (Wheeler and Wyatt 1978:4). That is, for households, consumption was to be stabilised around a new, higher level in order to provide encouragement for continuous smallholder production increases. Restraining levels of consumption but making the purchase of marketed goods possible at a higher level through crop price subsidies is, of course, a means of extending commercialisation while checking any potential for household indebtedness. At the same time, guidance was provided for fund managers dealing with ‘expected (that is, periodic) slumps’ (Wheeler and Wyatt 1978:4).

Stabilisation funds during the 1980s and 1990s

During the 1980s coffee and cocoa output followed an upward trend. Coffee production subsequently stagnated, and the 1988–89 revolt on Bougainville largely eliminated production in Papua New Guinea’s most important cocoa growing province (Coffee Industry Corporation 1994; Livingstone 1989). Despite some largeholding increases, the smallholder predominance remained and became more firmly entrenched. The upward shift in Papua New Guinea’s production occurred against rapidly fluctuating and downward trending international prices, with global markets dominated by ever-greater stocks/surpluses. In the late 1980s to early 1990s, prices for Papua New Guinea’s major export crops reached historic lows—an ‘unexpected slump’.

In addition, over the decade and a half, the ideological climate turned against state-directed arrangements. A revitalised liberalism held sway globally. The liberal rationality underpinned a growing chorus of objections to commodity stabilisation funds, of a general nature and regarding specific aspects of their operations in Papua New Guinea.

Nevertheless the funds survived, although there were continuous or near-continuous reductions in fund balances. The earlier raising of levies turned into regular payments of bounties, with some short-term variations between crops. Despite revisions to the formulae by which bounties were paid—mainly in order to reduce the rate of decline in fund balances...
(Coulter 1984; Gimbol 1992)—by the end of the 1980s all funds were either exhausted or seriously depleted.

Yet despite these and other measures to expand household production (which increased substantially), during the 1980s the numbers of unemployed in rural and urban areas leapt. While the overall movement away from producing solely non-marketed crops on smallholdings continued, the earlier rate of increase in the number of households producing export crops slowed. These households probably operated at declining levels of productivity (see Millett 1994b:9–10; Millett 1994a:29-32).

Concurrent with the rise in unemployment there occurred major increases in particular forms of lawlessness, including domestic violence, armed robbery, and breaking and entering. State measures, utilising various levels of military and paramilitary force, were designed to deal with what was widely proclaimed as a ‘growing law and order problem’ (Clifford et al. 1984; Saffu 1994). States of emergency in major towns and on Bougainville were accompanied by armed drives of military and police through urban settlements and rural villages. Measures, including clearing squatter settlements, were invoked to push urban unemployment back to rural areas.

Faced with growing disorder, national governments repeatedly pronounced the importance of strengthening and extending smallholder agriculture. When reserves in stabilisation funds ran down, governments pledged a renewed commitment to forms of price assistance while arguing about support levels and pressing external donors, including the European Union through STABEX, to raise their funding amounts. Simultaneously, with AusAID and other support, efforts were made to rebuild agricultural extension services directed primarily at smallholders. However, these efforts have been minor when compared to the centralised and coordinated state practice that played such a major role in the original establishment of smallholdings as export crop producers.

**Future support?**

The scheme of smallholder agriculture, which has been so important for the character of capitalist development in Papua New Guinea, appears to be coming undone. Unemployment and landlessness, central to the experience of people elsewhere in the world, are becoming widespread.

The scheme is being undone by changes in global and domestic conditions. Conditions which previously made the scheme possible, including rapidly growing international demand for export crops which could be grown in Papua New Guinea, no longer exist. Nor do the favourable conditions seem likely to return, at least in the short to medium term. Rather than being associated with improvements in living standards for many rural households, commercialisation currently forms the basis of declining incomes and growing unemployment.

Papua New Guinea is not alone in finding that such major changes in living conditions for the mass of the population are associated with expressions of discontent (see Leys 1994; MacWilliam, Desaubin and Timms 1995). Even if the expressions often take a fragmented and inchoate form, clearly a continuation of reductions in living standards poses the potential for more coordinated revolts.

But any attempt to rebuild the scheme, including components such as commodity stabilisation funds, would not only meet changed economic and political conditions. There also has been a major change in the idea of what might constitute necessary state measures to reverse the decline. As many of the attacks on stabilisation funds indicate, it is no longer simply a matter of
whether Papua New Guinea governments have sufficient revenues to continue support for stabilisation funds. In official circles these and associated measures are now considered undesirable.

The upshot of the changed conditions and ideas appears to be that over the next few years levels of state support for agriculture are unlikely to increase and instead will decline. State practices will focus more and more on attempting to quarantine nodes of mining and manufacturing production from the surrounding unrest—urban and rural. If retained at all, stabilisation funds will increasingly take on a welfarist object, acting as supplementary income benefits and unemployment relief for households locked into smallholdings in conditions of increasing impoverishment. Of course, such predictions ignore the enormous potential for change, and therefore unpredictability, which periods of instability and crisis have generated in the past.

References


