

Expressions of interest: Informal Usury in Port Moresby Settlements

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Brief Seminar notes

Usury is illegal in Papua New Guinea, but prevalent at all socioeconomic levels. I concentrate here on money-lending in urban “settlement” environments among people with limited financial resources, where the moneylenders are barely richer than their clients and the latter are often self-employed in informal occupations earning variable incomes and living in circumstances ranging from (urban) subsistence to modest comfort.

I use examples from urban village court cases in which moneylenders have sought redress against defaulting debtors.

Of the three village courts I have monitored methodically since 1994, I have encountered disputes involving usurers in only one, Erima village court, which serves informal housing communities containing a great mixture of micro-ethnic groups in Port Moresby’s north-east suburbs.

Village court magistrates are relatively untrained in law, and selected by their local community. Lawyers are not allowed to attend village court hearings.

Usurers in Port Moresby are unable to take recalcitrant debtors to the kinds of courts creditors normally have recourse to, as they would risk prosecution themselves for illegal profiteering. Consequently, they appeal to their local village court. Urban village court magistrates are cognisant of the large numbers of people involved in informal income-generating activities and usually show tolerance of money-lending.

The English word “profit” has been adopted into urban Tokpisin. *Profit* is used to refer not only to the profit gained from business transactions including loans but also to money-lending as a business. Moneylenders enter their transactions in a book but do not keep an ongoing, calendric written account of payments received. In grassroots communities, recording details is one of the basic distinguishing features between simple lending and a *profit* matter.

In the *profit* interactions which eventuated in village court cases the smallest amount lent, during my observations, was K20 and the lowest interest rate charged was 10 percent per *fofnait*. The loans were rarely much above K100 and the interest rate rarely approached 40percent, the average rate being 20 percent. The moneylenders took their debtors to court after a few *fofnait*, indicating that these were intended to be very short-term loans.

[examples given.....]

The relatively low amounts lent reflect the limited resources of the lenders. *Profit*, at this urban grassroots level, is one of many alternative strategies used by people who do not have waged or regular jobs to raise their income above a subsistence level.

Anybody can turn to *profit* as a source of income in this socioeconomic context if they have K20 or more to lend. Some, enter only into one or two transactions. Others use it as an *ad hoc* way of earning a tiny income. It is rare for anyone in grassroots communities to attempt to build their *profit* activities into a major (though illegal) business enterprise. For those who do, a degree of caution is needed. Settlement-based “career” moneylenders impatient to increase their profits quickly by lending larger and larger amounts risk the inability of their clients to repay the initial loan, let alone the mounting interest. The wiser moneylenders lend very small amounts and satisfy themselves with a small profit.

There is no institutionalised procedure for the conduct of the loan relationship, since beyond the recording of the original loan the interaction between creditor and debtor is informal. Correspondingly village court decisions are not determined by the calculation of how much is actually owed, but display some accommodation of the informality of the debt relation.

While most moneylenders take unpaid debts to the village court within a few *fotnait*, there are occasionally cases involving debts of longer duration. The inconsistencies in the presentation of these by disputants indicate that loans outstanding for more than a few months generate confusion for both debtor and creditor. For a few *fotnait*, a moneylender can rely on his or her memory to keep track of the accumulating interest on a loan. In the longer term, however, inaccuracies in calculations are inevitable. Notably in the cases I saw, if the time alleged to have elapsed since a loan was more than four or five months (usually counted in *fotnait*), it was likely to be claimed to have been a matter of years. Moreover, the amount of interest claimed, given the alleged time passed, failed to accord with calculations made on the basis of the rates given above.

In going to the village court the moneylender is effectively cutting his or her losses, and the interest rate loses its relevance, since the court’s decision involves a practical assessment of how much the debtor is capable of paying. When more than a few *kina* is involved, the best a creditor can expect is a recovery of the original loan and perhaps a little extra if the court can be persuaded to penalise the debtor slightly for tardiness.

Usury in the history of Western economy

In western societies usury is sometimes traced back to lending practices in ancient agriculture-based societies. Embedded in the definition of usury in antiquity was a moral judgment which has survived to the present. However its focus shifted over time from the unnatural fecundity of money and the less-than-savoury necessity of usury, to the usurers themselves, who were increasingly viewed as economic parasites.

A moral judgment has remained integral to terms like “moneylender.” Usury historically exploited the productivity of individuals *independently* of normal relations of production. The interest manifested unpaid productivity on the part of the borrower. The continued

pejorative social attitude toward moneylenders as people is probably sustained in part by this characteristic.

Two aspects of the history of usury in the west are important in comparison to the advent of usury in Papua New Guinea; the existence of usury long before the advent of capitalism, and the development of a moral condemnation of usurers. My own findings do not reveal any stigmatisation of usury at community level in PNG. And in PNG, usury is not an ancient practice predating modern banking.

It emerged not only after the arrival of capitalism, but after the introduction of consumer loans by banks internationally and locally in the late twentieth century. Further, it is an urban development, appropriating a rationality of bank lending practice not only in the formal workplace, but into informal exchange relationships beyond it, representing a traditional sociality circumscribed by the pre-capitalist rationality of kinship.

Kinship and urban living

It has become more or less axiomatic in academic discussions of urban living in Papua New Guinea that migrants to towns bring the rationale of kin-ordered society with them, including the sense of obligation and reciprocity which pertains among people who regard themselves as kin-related. In urban situations this rationale often embraces networks beyond the immediate clan or affinal relations experienced by an individual in a rural community.

The most common generalisation used among Papua New Guineans for this support network in towns is “the *wantok* system”. According to the popular stereotype, an individual can call upon people he or she classifies as *wantok* for socioeconomic support without fear of rejection, or conversely a person with resources in town is obliged to share them with *wantok*.

The *wantok* system is supplemented by various types of informal associations including what are commonly called rotating credit associations such as *kompani* or *sande*, involving small groups of kin or quasi-kin who pool a proportion of their fortnightly earnings, to be used by each member in turn.

Kompani and *sande* groups are important socially inasmuch as they reinforce existing ties between *wantok* and establish quasi-*wantok* ties among regionally unrelated people, particularly among co-workers. Sharing and mutual support are central characteristics of *sande* groups.

The pervasion of kinship sensibilities and the gift economy are linked themes. The complex articulation of gift exchange and commodity exchange has been a topical focus of anthropologists in recent decades.

In comparative discussions, it has been common to represent gifts as remaining unalienated from their producers in the process of exchange and therefore particularly congruent with kin-ordered sociality. Commodities, in contrast, are represented as becoming alienated from

their producers in the process of exchange, and therefore particularly congruent with the sociality of capitalist societies. Assertions that gifts are just a type of commodity have met significant resistance from anthropologists working in Melanesian societies. They prefer to problematize the relationship between gifts and commodities and to examine the way Melanesians have appropriated commodity exchange into their own sociality.

It is commonly argued that Melanesians, by virtue of their membership in extended kingroups with access to land and its resources, have not been individualised – and thus alienated from each other – by capitalist production to the degree Westerners have. This argument fits handily with the previous observations about the prevalence of *wantokism* in towns.

But in Port Moresby and other urban centres in Papua New Guinea, however, the unqualified assumption that all “migrant” communities are dominated by *wantok* sensibilities can no longer be made. Where researchers in the late colonial period found relatively homologous associations between regional groups and particular settlements, sections of low-covenant estates, or company compounds, more recent research in conditions of continuing migration and population growth indicates a complex variety in the population of so-called settlements. For example, there is a notable contrast between Erima and another settlement with which I am familiar, the downtown self-help housing area known as Ranuguri. Ranuguri is dominated by people of Eastern Gulf district origin. First-generation migrants arranged themselves on the available land in groups corresponding to village clusters in their home place. The settlement thus fits the “regional” model of settlements.

Until recently, Ranuguri has conformed to the image of settlement communities developed in the academic literature of the colonial period, and is pervaded by the ideation of extended kingroup relations and obligations.

Erima settlement, in comparison, is a post-colonial development

The development of regional enclaves within Erima has remained minimal compared to Ranuguri. Erima has a heterogeneity which would have been unthinkable in a Port Moresby settlement half a century ago. There is chronic friction among diverse and mutually suspicious micro-ethnic groups. A comparative lack of kinship sensibilities is evident as migrants are cut off from the bulk of their extended kin groups.

As I have written elsewhere, examination of the evidential content of cases brought to the Erima village court revealed that a common thread in the majority of them was problems or breakdown, of hastily arranged de facto urban marriages. This, combined with the diversity of regional groups, creates a marked contrast with the close-knit, kinship-driven sociality of Ranuguri. Compared with the atmosphere of Konedobu village court (serving Ranuguri), I noted overall a relative estrangement of disputants from each other in Erima court, perhaps signifying the lack of an underlying sense of kinship or its accompanying need for the integrity of social relationships to be maintained in the long term.

The existence of usury, and of village court cases connected to usury, in this social climate is significant when compared to the absence of usury cases in two other courts I have monitored in the National Capital District, Konedobu village court, and Pari village court. Pari is a village inhabited by Motu-Koitabu, the traditional people of the area upon which Port Moresby is built. It is close-knit and insular, its inhabitants maintain strong “clan” and “subclan” ties. Usury is not practised there. And I saw no evidence of usury in Ranuguri.

The “borrowing” of money in Pari is subsumed under extended kinship relations and in Ranuguri is conducted through *wantok* relationships. In Erima and nearby settlements, however, recourse to small-scale usurers is stimulated by the lack of extensive local kinship networks or *wantok* relationships. Even marriages, often hastily arranged, and mostly lacking the support and encouragement of the couples’ kin-groups, do not create the complex affinal relationships of obligation and reciprocation which would ensue in traditional circumstances.

In some of the usury cases brought to Erima village court the parties involved were actually relatively close affines. It would be very unusual for someone to borrow under a *profit* arrangement from an affine by customary marriage where full brideprice (along with ritual pre- and post-marital payments of various kinds) had been paid.

Conclusions

When people in grassroots communities in Port Moresby are entering into usurious transactions with people to whom they may even be affinally related, we must re-examine the assumptions we have made about the prevalence of *wantokism*. In respect of conventional forms of lending and borrowing in urban grassroots communities such as Erima, usury is a significant development because it is not driven by the same rationale as the *wantok* system or “rotating credit associations.” In fact it appears to be utilised by borrowers when these supportive and reciprocal institutions are either not available, or are so limited that their resources are quickly personally exhausted.

We can no longer apply the generalization that PNG’s urban grassroots support systems are based on the rationale of kin-ordered societies. They now include a practice which is informed by local experience of the introduced bank-loan system, which is itself a product of capitalist economy, in which commodity relationships between people are structured by a rationale which construes participants as unrelated individuals rather than as related according to principles of kinship.

At the same time, Usury is not simply petty capitalism, because usurers themselves are not usually “professional” moneylenders, nor do they systematically transform their gains into capital. Rather, they are people engaged in flexible informal money-earning activities, and mostly turn to usury only occasionally and briefly, among other enterprises in which they selectively engage as opportunity presents itself.

These sorts of activities fit the concept of “petty commodity production”, which is applied particularly when commodities are produced using non-capitalist relations of production such as family, kin-group or other networks. Income-earning activities outside of wage

labour in PNG towns are largely of this type, involving household-based units creatively shifting among a variety of activities to earn a small living.

In recent years small-scale usury has become part of this flexible response to a lack of wage-earning opportunities in town. Along with many other informal income-generating activities it is in fact innovative in that it appropriates elements of the introduced economy creatively to serve indigenous ends.

Usurers cannily respond to a perceived need by offering a localised and informal alternative to a service which would otherwise necessitate engagement with an impersonal agency some distance from home. In the case of financial services usury is also serving a demand for loans which are so small that formal financial services would hardly be persuaded to make them.

Usury represents a different sentiment to that which is implied in the *wantok* system, *kompani* and *sande* groups, and their like, which also operate at the conjuncture of the gift and capitalist economies, where the distinction between the sentiment of kinship relations and capitalist relations can be equivocal.

The inference is invited that where the *wantok* system and its adjuncts appropriate an aspect of the capitalist economy (wages) into the gift economy, *profit* necessarily positions even classificatory kin as unrelated individuals.

Contextualised not in a moral decline connected to poverty but, instead, analytically in the complex articulation of gift and capitalist economies in Papua New Guinea, small-scale usury suggests that we can no longer take as axiomatic the impermeability of kin-ordered sociality in contemporary grassroots communities.

[A fuller discussion will be available in a journal article “Expressions of Interest”, forthcoming in *Pacific Studies*]