



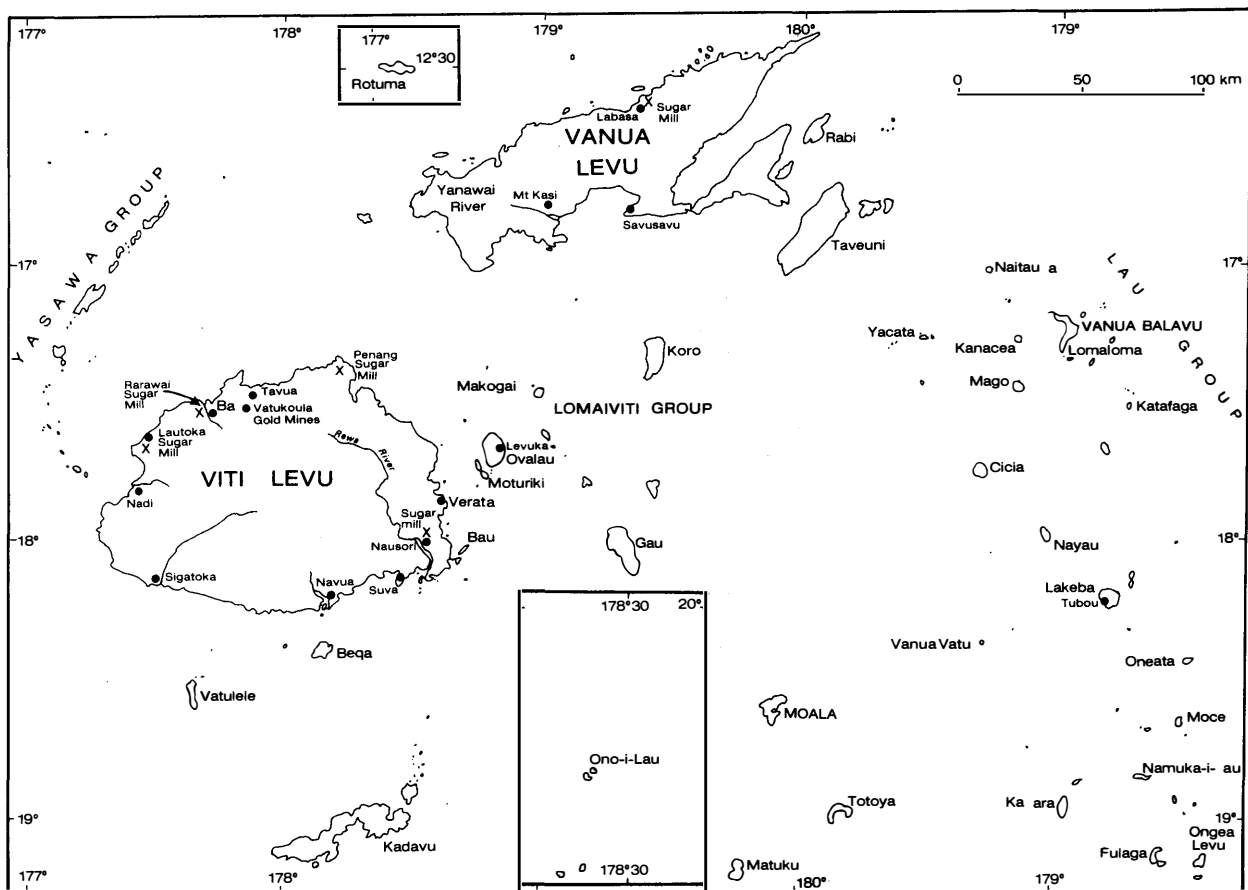
The Australian National University
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Pacific Research Monograph no. 15

**Fiji's economic
history, 1874-1939**
Studies of capitalist
colonial development

Bruce Knapman

Fiji's economic history, 1874-1939

Map 1 Fiji Islands: location map



Pacific Research Monograph

15

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Bruce Knapman

Series editor Helen Hughes

National Centre for Development Studies
Research School of Pacific Studies
The Australian National University
Canberra
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Abstract

This book examines the spread, functioning and impact of capitalism in Fiji during the first sixty-five years of British colonial rule, 1874-1939 – the period during which the present basic structure of Fiji's economy was formed.

The general argument, based on a core of six self-contained case studies, is that Fiji provides an excellent example of foreign, corporate capitalist domination of a colonial export economy in which white settlers were pushed aside, and from which – in accordance with early colonial policy design – the indigenous population was largely excluded. Most of the benefits of the remarkably successful sugar-led export growth accrued to foreigners, the colonial state being unable or unwilling to tap into the income of the capitalist enclave to any significant extent. Yet, as the seventh and final study concludes, it would be wrong to take this as support for the popular neo-Marxist proposition that capitalist imperialism caused 'underdevelopment'. There was no realistic preferable alternative to the form capitalism and colonialism actually took in Fiji; and the capitalist colonial development which ensued, though exploitative, unhappy and unequal, neither impoverished the country nor destroyed long-term development prospects. Rather, it increased the absolute level of income and laid important foundations for postwar economic expansion.

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Orthography

For indigenous terms the standard Fijian orthography is used:

b is pronounced as mb in number

c is pronounced as th in that

d is pronounced as nd in end

g is pronounced as ng in singer

q is pronounced as ng in finger

Chapter 1

Introduction

Fiji was a British colony from 1874 until 1970. At the beginning of the colonial period, its largely self-sufficient tribal economy supported a population of about 140,500 Fijians, who tolerated a shaky frontier economy of 1500-2000 white settlers and traders on its coastal fringes. At the end of the colonial period, Fiji had an export economy supporting a population of half a million, split roughly equally between indigenous Fijians (who retained control of most of the land) and Indians (who grew the principal export crop, sugar cane, and were prominent in small-scale commercial and service enterprises). Manufacturing (including raw sugar production), banking, trade and tourism were largely the province of a small number of foreign-owned, predominantly Australian, companies. The problems of development in a small island economy with a high ratio of export production to total output in the cash sector, a concentrated export production structure, and a high propensity to import, were therefore compounded by perceived problems of foreign domination and pluralism. Specifically, it was argued that Fijian involvement in the cash economy was not commensurate with Fijian political power: in 1966, 45 per cent of the economically active Fijian population was employed wholly or mainly in subsistence agriculture (Zwart 1968:65).

In a book published in the year of political independence, Fisk (1970:1, 62) identified the distribution rather than the size of national income as 'the most vital and urgent problem' facing the new nation; and argued for policies designed to increase Fijian participation in the 'advanced sector', even if some growth had to be sacrificed. That such an argument could be set down so emphatically indicated Fiji was a relatively well off underdeveloped country. Its village economy was characterized not by abject poverty but by 'subsistence affluence'. And the growth performance of the export economy had been strong. Between 1950 and 1970, exports increased at an average annual rate of 5.9 per cent, and gross domestic product per capita at 4.5 per cent — despite population growth of 2.8 per cent per annum (*Current Economic Statistics* 1975). As a result, Fiji joined a 'moving company' of fifty-eight other countries which had stepped on to the world's growth escalator and by 1970 reduced their farm populations from 70 to under 50 per cent (Lewis 1978a:300).

Reynolds (1980:95) has suggested that such strong postwar growth performances generally were preceded by similar performances in the period of tropical development between 1883 and 1913, when exports from Africa, the Americas, Asia and the islands of Oceania increased at an average annual rate of 3.4 per cent. The exception apparently proving the rule was the export performance of sugar colonies. Sugar exports from Mauritius and the West Indies declined absolutely as a result of a 57 per cent drop in the world sugar price and a failure to adopt new sugar technologies (Lewis 1969; Stover 1970:50). And Ward (1971:69) asserts that 'Until 1940 the economy of Fiji had shown only a very slow and struggling rate of growth'.

In reality, Fiji's exports increased at the rate of 4.7 per cent per annum between 1883 and 1913 (Stover 1970:49). This was the period during which Fiji's sugar export economy developed alongside the indigenous economy, creating what Stanner (1953:181, 409) later described as a 'jibing of dual economies within plural racial and cultural communities'. In 1939, after economic depression and institutional change in the sugar industry, the Indian population of 95,000 filled the economic roles it continued to fill at independence; the export economy was dominated by half a dozen companies which, with government, employed most of the 4000 Europeans in the colony; and 103,000 Fijians largely remained in the village, supplementing subsistence production with a small amount of cash crop production or wage labouring (*Fiji Blue Book* 1939).

Fiji's export-led growth therefore began in the nineteenth century; and the structure of its export economy was created and consolidated before 1939. This book presents seven historical economic studies of various aspects of development during the formative colonial period, 1874-1939. The first study documents and analyses Fiji's export performance over the entire period, with necessarily heavy emphasis on the country's transformation into a one-company sugar colony. The second examines the role of the colonial economy's noncapitalist sector in export growth, and the effects of growth and colonialism on that sector. The third describes the fate of the European sugar planter, with whom hopes of sustained white settlement largely rested. The fourth and fifth studies analyse the operations of big shipping and merchant businesses, respectively, particularly with reference to their ability to control markets and extract monopoly profits. The sixth study inquires into exchange rate policy in order to illuminate colonial power structures and how economic and political elites influenced the course of economic development. The seventh study describes and assesses the impact of export growth, especially on long-term development prospects.

The main purpose of the studies is an informative one — to find out and describe what happened. Collectively, they constitute a prismatic exploration of imperialism and consequent colonial

development in Fiji, where imperialism is defined generally in Warren's (1980:3) terms as the penetration and spread of Western capitalism into noncapitalist or primitive capitalist areas of the world. However, I came to Fiji's development history from an interest in the fashionable proposition, held from London to Suva, that monopoly capital dominated the colonized periphery of the world economy in 1870-1945, expropriated monopoly profits, and thereby caused 'underdevelopment' (Frank 1973; Rokotuivuna 1973; Narsey 1979; Narayan 1984). The simple underdevelopment model acted as a research design inasmuch as evidence on capitalist power and profitability was sought out and made central to the historical analysis.

But the exploration of Fiji's colonial economic past is not conducted with the tunnel vision of the paradigmatically myopic, who squeeze the evidence into a preferred model. The extent to which problems of economic change can be captured by closed models is limited (Hicks 1979:x); and if, as Clower (1973:3) contends, economic theorists regard economic history as 'an oasis of intellectual renewal in the desert of abstraction' which is their normal working habitat, the search for fresh springs is especially noticeable amongst development economists, whose intellectual progress since 1945 is best described as a 'gradual loss of certainty' (Hirshman 1977:67). Even the popular argument that imperialism caused underdevelopment has its Marxist critics who contend that, rather than being the result of capitalist exploitation, underdevelopment is the result of *insufficient* exploitation (Warren 1980; Kay 1975).

To avoid deterministic history founded on simple yet contentious general theory is not to eschew the use of economic models in historical reconstruction; it is to use the models heuristically. Room is left for observed differences between model and reality, and for a decision that the model is inaccurate and in need of modification, or that the differences are the result of local and unique factors.

Fiji's uniqueness has already been demonstrated in one (unexplored) respect — rapid export growth during a period of general sugar colony stagnation. Its distinctiveness in another respect is well established. The imperial impact was not a story of ruthless exploitation and dispossession of an indigenous people. It would have been had the white settlers had their way: on the eve of Fiji's unconditional cession, they laid claim to one-fifth of the country and much more of the accessible, cultivable and most fertile area (Ward 1969:12); and they anticipated a future under British rule in which a remnant Fijian population, devastated by introduced disease, would work for them as plantation labourers 'free' of the 'will of the chief' (Scarr 1973:140). But the administrative, land, labour and taxation policies instituted between 1875 and 1880 by the first governor, Sir Arthur Gordon, all ran counter to settler expectations, and were supported

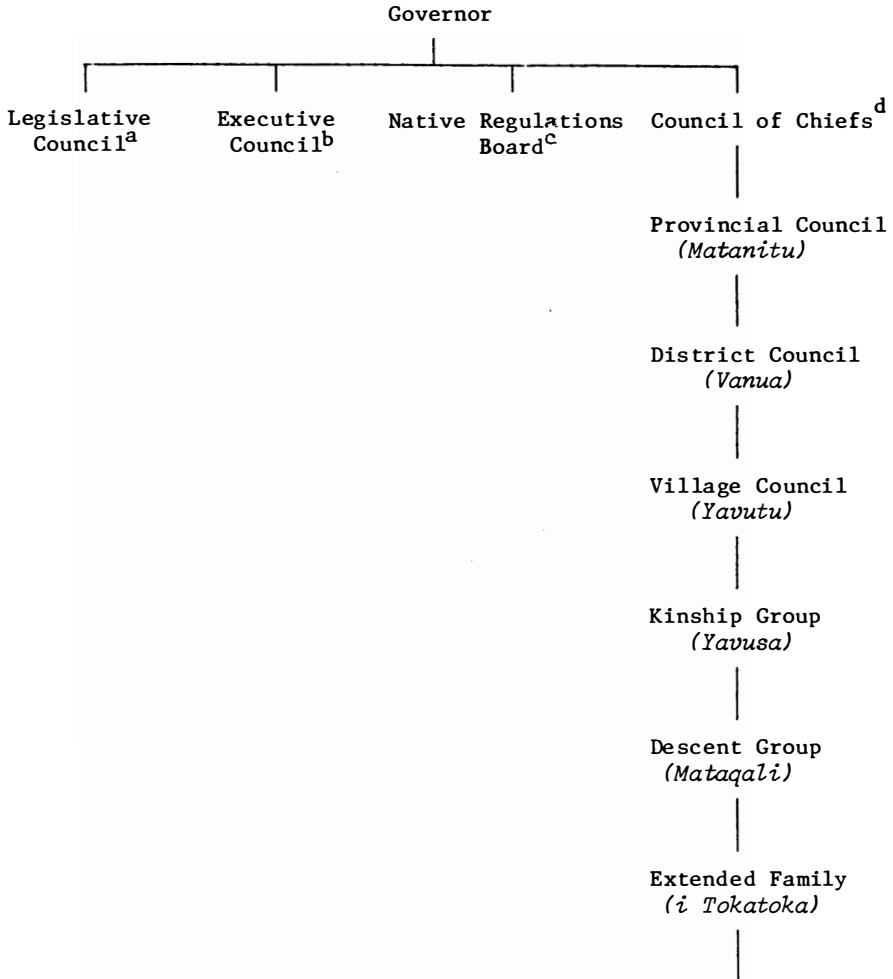
by successive governors almost to the turn of the century, notably by John Bates Thurston, the man who had been involved in pre-colonial attempts at independent, indigenous government, and who rightly regarded himself as having before Gordon's arrival "'rough-hewed" the forest log ready for the hand of the master-builder' (Stanmore 1897-1912: vol 2, 281). Settlers' complaints of grievous mistreatment at the hands of colonial government were as ineffectual as they were persistent (CSO 730/1878, 519/1879, 1588/1884, 194/1886, 390/1886; Scarr 1980a: 110-13, 177-9). Petitions to the Queen and the Secretary of State for the Colonies, campaigns in the colonial and British press, pleas for annexation by New Zealand, Victoria or New South Wales — all were frustrated by an official majority in the Fiji Legislative Council and support from a Colonial Office which found Gordon's policies 'rather a large pill' to swallow, but which it did swallow in order to give Gordon the change to govern the Fijians rather than kill them off (Gillion 1962:11). And though the Gordon-Thurston orthodoxy came under threat in the early twentieth century, it was to survive, if only through the combined effect of its own inertia and Fijian initiative in the face of governors who espoused a philosophy of individualism without having the resources to put it into practice (Macnaught 1982).

At the foundation of the Gordon-Thurston orthodoxy lay a belief in the desirability of gradual, internally-generated change, and a specific fear of the effects of the settler on indigenous society. Gordon, a determined Scots aristocrat with governorships of New Brunswick, Trinidad and Mauritius behind him (Chapman 1964), only had to read an account of the dispossession and ill-treatment of the Yasawas people at the hands of white settlers during the period 1868-74 to find Fijian evidence of the beginnings of the detribalization and ultimate demise of another indigenous race (Stanmore 1897-1912: vol 1, 499-502). Indirect rule — maintenance of chiefs in authority and preservation of traditional laws, customs (minus the worst aspects) and social organization — was thus a moral imperative. It was also expedient, for eastern Fiji's close approximation to the Scottish/Polynesian conical clan system (Sahlins 1968:24-5) provided a cheap means of administration, and the governor was desperate to move the colony from budget deficit to balance and then surplus in order to pay off a reluctantly given establishment grant from a parsimonious Imperial government, and to permit development-oriented public works (Stanmore 1897-1912: vol 1, 177-80). Additionally, Gordon presided over a suspicious, disaffected Fijian population outnumbering settlers by a hundred to one, and had but one company of Royal Engineers at his disposal: administration solely in the interests of white settlers simply was not safe (Gillion 1962:4). With necessity on the side of justice, then, Fijian custom was codified in the 1877 Native Regulations; and Fijian social structure was standardized, plausibly extended by the innovation of a Council of Chiefs, and made the basis of the Fijian Administration.

The administrative model shown schematically in Figure 1.1 was, for all its imposed uniformity, adopted by Fijians and 'defended tenaciously for a century as the bulwark ... of everything that was still distinctively Fijian' (Macnaught 1982:4). But the chances of a slow, selective and sustainable Fijian response to external forces would have been minimal without complementary and similarly judicious compromises in the formulation of land, labour and taxation policies. Gordon established a commission to investigate European land claims and, sweeping away the awe-inspiring complexities of actual Fijian land tenure systems with the custom-defining assistance of the Council of Chiefs, introduced a Lands Ordinance which made the *mataqali* the landowning unit, made Fijian land inalienable except through the Crown, and permitted leases only up to twenty-one years (France 1968; Heath 1974:85; Legge 1958:199). As a support to chiefly control of village manpower, labour ordinances limited Fijian employment on plantations to a maximum of one year and imposed restrictions on labour movement which anticipated later developments in the British Empire: would-be wage labourers had to give one month's notice of an intention to accept paid employment offered by a licensed recruiter, and had to enter into a labour contract before a magistrate (Des Voeux 1903:335; Scarr 1980a:65-7; Stahl 1951:5).

Finally, Gordon rejected the usual head tax in favour of a tax-in-kind system under which the government annually assessed the revenue required from each province according to its resource base, called for tenders from merchants on the price they were willing to offer on specific crops, and then calculated the volume of produce required from each province, leaving it to provincial and district councils to subdivide the assessments (Scarr 1980a:28). In principle, as Gordon observed in writing to London in 1878 (C083/16), this simultaneously satisfied the government's immediate need for revenue, meant that Fijians met tax commitments by producing on their own land as members of village communities, and introduced new crops to the village economy, thereby providing a demonstration effect which potentially led to growing discretionary cash production. It also led to increases in farm-gate prices of up to 100 per cent as merchants competed for the tax contract (CSO 135/1880).

Yet although policies aimed at protecting the noncapitalist sector were put in place, and imposed serious constraints on the settler community, they were not intended to inhibit plantation development. On the contrary, Gordon regarded such development as the basis of 'civilization' in Fiji (Stanmore 1897-1912: vol 1, 167, 178, 184), and as the source of the trade growth ensuring, through customs duties, the government's financial viability - for the overriding objective of slow, 'spontaneous' change in Fijian society meant that Fijian tax revenue could not be relied upon to keep pace with anticipated long-run increases in government spending (CSO 1945/1880; *Fiji Colonial Report 1880*:14). What was needed was a generation of planters with capital to develop the

Figure 1.1 The structure of colonial government

^aMembership up to 1904 consisted of a maximum of four nominated unofficial European members and at least an equal number of official members.

^bOfficial members of the Legislative Council.

^cConsisted of the Governor, a minimum of two members of the Legislative Council, and six nominees. This body, established by the 1876 Native Affairs Ordinance, had the power to codify custom as conveyed by the Council of Chiefs.

^dThe Council was conceived by colonial government as the apex of a socio-political pyramid beginning at the base with extended families (*i tokatoka*) and proceeding in orderly fashion to more inclusive descent groups (*mataqali*) recognized as the proprietary landholding units, which in turn were aggregated into the widest kinship groups (*yavusa*) residing together in village settlements (*yavutu*). *Yavusa* were the subdivisions of district confederations (*vanua*), themselves united into chiefdoms (*matanitu*).

land rather generously confirmed as freehold by the Land Claims Commission (almost 50 per cent of the area claimed), and with access to a cheap, reliable labour supply (Des Voeux 1903:358-9; Legge 1958:193-4).

Preventing any marked increase in the seven to eight hundred Fijians annually engaging on European plantations, while at the same time providing cheap labour, dictated reliance on outside sources. Melanesian labour had been used from 1860, but the re-engagement rate was low, the Fiji wage rate compared unfavourably with the Queensland rate and, no doubt partly in consequence, the supply was unreliable (*Fiji Royal Gazette* 1878: vol 4; *Fiji Times* 16 March 1878). Indeed, it was the 1877 failure of supply which prompted Gordon to turn to an obvious alternative – importation of abundant Indian indentured labour (Gillion 1962:14). As to capital, the governor knew well that the settler community remained insolvent in the wake of the early 1870s 'great cotton failure' (Stokes 1968), and was not surprised by the very limited demand for the first Indian immigrants who arrived in Fiji on 15 May 1879 (Gillion 1962:15). He already had committed government in principle to a subsidy of one-third of the cost of introducing and repatriating Indian labour – and in practice too, by paying subsidies out of current revenue in anticipation of an Imperial loan to finance labour immigration, large-scale plantation development, and sugar mill construction. The loan was not raised until 1881, however, and then was allocated primarily to paying off the debts of the precolonial government. An inadequate £10,000 was allocated to labour immigration, while nothing was available for agricultural advances (Stanmore 1897-1912: vol 2, 128; *Ordinances* 1880). Most of the 415,000 acres of European freehold was uncultivated and near the coast or a river. Labour could be had for a shilling a day. After the quelling of disturbances in inland Viti Levu in April-August 1876, peace had been established (Scarr 1980a:51). But impoverished planters could not obtain further advances from undercapitalized merchant companies themselves indebted to Australian, New Zealand and German companies (Knapman 1976a; Scarr 1972).

In any case, in so far as the future lay with sugar, large-scale milling facilities demanded capital outlays beyond the most viable planter. Experience with several small sugar milling companies in 1878-80 showed that if sufficient milling capacity were to be provided for planters, and for Fijians in need of cane as a cash crop, a large foreign company had to be coaxed into coming to Fiji (CSO 1837/1879, 1879/1879, 1066/1880; Moynagh 1981:15). After some initial hesitation, the Colonial Sugar Refining Company (CSR), a Sydney-based partnership of unlimited liability formed in 1855 with a capital of £150,000 and interlocking directorships with major banking and mercantile interests (Lowndes 1956:13), purchased land in the Rewa River delta in 1880, and within two years had erected a mill at Nausori which was expected to draw most of its supply from European planters on the

river (CSO 2506/1882). The company's investment was defensive, as E.W. Knox, general manager from 1880 until 1920, explained: 'as sugar will be produced in Fiji sooner or later which will come into competition with ours, it is a question whether it will not be better for us to take a share in the development of the industry and in the profits' (Moynagh 1981:29).

The share was to be a large one. At the end of its first crushing season, CSR had driven the accurately-named Pioneer mill out of business by absorbing the available cane supply (CSO 1623/1882); it had bought out a major competitor, Stanlake Lee & Co., which moved to Navua under the name of the Fiji Sugar Co. and relied heavily on CSR financial and managerial support (Moynagh 1981:33; CSO 2397/1882); and, by unilaterally appointing a government scribe to do double duty as scribe to the 'Great Company', it already had about it the aura of 'the other government' (CSO 108/1883). CSR's impact on Fiji's economic development was dramatic. The increase in sugar exports from £59,000 in 1882 to £176,000 in 1883 accounted for approximately 75 per cent of the total increase in domestic exports from £163,000 to £320,000, and made sugar Fiji's major export commodity (McHarg 1968:323-4). Notice was given of CSR's continued dominance of sugar production when, in 1883, the company announced plans for a second mill on the dry side of Viti Levu at Rarawai, Ba (Lowndes 1956:32).

Less than a decade after Fiji's annexation, then, it was apparent that the Gordon-Thurston version of *Pax Britannica* would have as its obverse the development by Australian capital of a form of enclave economy. This was to be the means for maintaining continuity of Fijian social tradition in the midst of economic change. Moreover, development by big business was a means more reliable and perhaps more easily regulated than development by penny capital. Gordon had observed the effects of export price fluctuations on undercapitalized settlers lacking, in his estimation, character and energy (Young 1970:148); and experienced the difficulties of enforcing labour regulations on large numbers of small employers. Harnessing the Fiji economy to a few large companies run by respectable corporate managers would, it was hoped, insulate it more effectively from market fluctuations, and at the same time provide targets which could withstand a few shots from the government direction, particularly in the matter of taxation (Chapman 1964:211). This, at least, was the vision.

Chapter 2

Capitalist export growth: the dominance of the Colonial Sugar Refining Company

At the end of Sir Arthur Gordon's formative governorship of Fiji (1875-80), the preconditions for plantation development were met. European planters owned over 400,000 acres of wet, arable land. Sugar cane and copra seemed suitable plantation crops. A plentiful supply of cheap Indian indentured labour was available. And capital was flowing into the colony: pre-eminently, the Colonial Sugar Refining Company (CSR) was prepared to provide the substantial processing facilities essential to sugar export growth. This chapter documents the subsequent performance of the colonial economy through a quantitative analysis of export growth and fluctuations designed to elaborate an established fact of Fiji's pre-1940 growth history — that between 1883 and 1913, exports increased by an annual average of 4.7 per cent (Stover 1970:49).

Data and methodology

Useful analysis of export growth and instability over the 65-year period under consideration must proceed in terms of sub-periods, since it is hardly very enlightening to note that Fiji's total domestic exports in 1939 were thirty times their 1875 value, and that fluctuations around the trend for the entire period averaged 14 per cent of mean annual trend values. Four sub-periods have been identified on the basis of visual inspection of export scatter diagrams and in the light of major events in Fiji's economic history; and because the growth and instability records of sub-periods are to be compared, the same form of trend line has been fitted to each sub-period. In Fiji's case, a simple linear trend best fitted the data of all sub-periods. (Semi-log trends failed to produce a better fit for any of the latter.) The instability index, I , which measures short-term fluctuations around the medium-term trend of exports, is the standard error of the function

$$Y = a + bX \quad (Y = \text{exports}; X = \text{years})$$

divided by mean exports for the sub-period. The export growth rate, g , is measured by the regression coefficient divided by mean exports (Knapman and Schiavo-Campo 1983).

Table 2.1 Growth and instability of Fiji's exports, 1875-1939

A. Total domestic exports (value)						
	a	b	\bar{Y}	r	g	I
1875-1906	92,877	17,644	366,359	0.94	0.048	0.157
1906-1915	688,267	89,643	1,091,661	0.95	0.082	0.080
1915-1934	2,125,212	-36,068	1,782,565	-0.44	-0.020	0.237
1934-1939	1,296,705	215,998	1,836,701	0.98	0.118	0.037
B. Sugar exports (value)						
	a	b	\bar{Y}	r	g	I
1876-1906	23,538	15,144	250,699	0.92	0.060	0.232
1906-1915	429,956	70,160	745,675	0.92	0.094	0.115
1915-1934	1,465,678	-26,879	1,210,330	-0.37	-0.022	0.322
1934-1939	1,058,350	49,231	1,181,428	0.81	0.042	0.051
C. Sugar exports (volume)						
	a	b	\bar{Y}	r	g	I
1876-1906	-5,508	1,696	19,929	0.96	0.085	0.235
1906-1915	49,241	4,668	70,245	0.82	0.066	0.132
1915-1934	72,085	1,144	82,953	0.27	0.014	0.286
1934-1939	126,808	806	128,823	0.10	0.006	0.109
D. Sugar price (unit value)						
	a	b	\bar{Y}	r	g	I
1875-1906	34.9	-1.03	19.5	-0.91	-0.053	0.219
1906-1915	9.0	0.32	10.5	0.93	0.030	0.036
1915-1934	19.9	-0.49	15.2	-0.53	-0.032	0.357
1934-1939	8.4	0.33	9.2	0.64	0.036	0.071
E. Copra exports (value)						
	a	b	\bar{Y}	r	g	I
1876-1906	28,586	2,542	66,712	0.65	0.038	0.399
1906-1915	184,492	4,565	205,033	0.28	0.022	0.222
1915-1934	459,887	-7,333	390,225	-0.26	-0.019	0.396
1934-1939	214,870	12,991	247,348	0.24	0.053	0.364
F. Copra exports (volume)						
	a	b	\bar{Y}	r	g	I
1876-1906	2,444	247	6,153	0.73	0.040	0.333
1906-1915	12,275	43	12,470	0.05	0.003	0.211
1915-1934	17,765	393	21,502	0.41	0.018	0.221
1934-1939	27,004	948	29,373	0.42	0.032	0.117
G. Copra price (unit value)						
	a	b	\bar{Y}	r	g	I
1876-1906	11.7	-0.056	10.8	-0.24	-0.005	0.188
1906-1915	14.9	0.381	16.6	0.39	0.023	0.157
1915-1934	25.2	-0.734	18.2	-0.70	-0.040	0.265
1934-1939	7.5	0.282	8.2	0.20	0.034	0.293

Note: The first period is 1876-1906 for the major exports because of a lack of data for 1875. Values are in pounds sterling, volume in tons. The symbol r refers of course to the correlation coefficient. \bar{Y} = the arithmetic mean value, i.e. average exports.

Trends were fitted to data from McHarg (1968:323-4) on total domestic exports by value, and sugar and copra exports by value, volume and price, with the results shown in Table 2.1.

Early colonial growth, 1875-1906

The early colonial period showed a highly unstable overall export growth rate of 4.8 per cent per annum. This reflected faster and unstable growth in sugar exports, and slower, even more unstable, growth in copra exports.

Accounting for an average 59 per cent of total domestic exports throughout the period 1876-1906, sugar exports grew at an annual average rate of 6 per cent despite an annual average price fall of 5.3 per cent and considerable price instability. Value growth resulted from the rapid 8.5 per cent per annum increase in the sugar export quantum, which also fluctuated considerably, though volume instability was offset to some extent by compensating price movements.

The secular decline and instability of the sugar price meant the demise of small-scale, undercapitalized and uncompetitive mills, which in addition had to contend with irregularity of supply and consequent variations in the degree of capacity utilization. Particularly destructive were the 1880s and 1890s sugar price slumps brought about by government-subsidized beet sugar production and export in continental Europe — an external development conflicting with and outweighing the duty-free treatment of British sugar imports from 1874 to 1901 (Deerr 1950: 443, 504). Twenty Fiji sugar mills closed between 1873 and the mid-1890s, and the two remaining non-CSR mills were taken over by metropolitan companies. The Fiji Sugar Company — which had relied on CSR for managerial assistance, for the financing of its labour supply, and for the purchase of its output — mortgaged its freehold land and movable property to CSR in 1896 and ultimately sold out to the British Columbia Sugar Refining Company, which reopened it as the Vancouver-Fiji Sugar Company in 1906; and the Penang mill was sold to the Melbourne Trust Company in 1896 (Moynagh 1981:31-3; CSR 2933, 2746). Only CSR had expanded by opening a new mill at Labasa in 1894. In 1900, the company claimed investments of £1.1 million in the colony, including the three mills which drew on a cultivated sugar cane area of over 20,000 acres — compared with a cultivated area of about 7000 acres in 1883. It employed three-quarters (4500) of the Indian indentured labourers in Fiji, and bought cane from European planters who employed the other quarter. It accounted for 88 per cent of the sugar and spirit shipped from Fiji in 1899, and as a refiner purchased the raw sugar it did not produce at its own mills. Since sugar and spirit exports were 74 per cent of total exports in that year, CSR was directly responsible for 65 per cent of the Crown Colony's total exports (CSR 2934, 3508, 3509, 3514).

The expansion of the sugar export quantum is therefore very much the story of CSR's success in not only surviving the largest price fall of any tropical crop in the late nineteenth century (Stover 1970:50), but expanding through it: in fact, a simple regression analysis of data in Lowndes (1956:435-7) shows that the growth rate of output from CSR mills in the period 1876-1906 exactly matched the rate for the export quantum. Moreover, a foundation for further growth in the early twentieth century was laid by the erection of a fourth mill at Lautoka, which began crushing cane in 1903 from 10,000 acres already acquired by 1900 and progressively brought under cultivation. Mill capacity and the cultivated area also were increased at Rarawai from 1902 (CSR 2934). But capital resources to ride out trade fluctuations, expanded mill capacity, and simple extensions of cultivated area using fixed proportions of labour cheap in money terms, were not sufficient conditions for profitability in the face of competition from beet sugar and the periodic declines in export demand. With world demand for cane sugar elastic and falling, raw sugar producers could stay in business in the long term only if they became more cost-competitive - if, in other words, input prices fell and/or technology improved.

Little wonder that CSR as a near-monopsonistic miller aimed at keeping cane prices as low as was still commensurate with calling forth an adequate supply to utilize mills to capacity; and as a grower CSR, like European planters, had a vested interest in keeping money wages down, increasing the intensity of labour effort, and lengthening the working day. The exploitation of labour and its consequences are well documented (Ali 1979, 1980; Gillion 1962; Lal 1980; Naidu 1980; Narsey 1979). Herded at night into filthy, crowded barracks they called brothels, and driven to the cane fields at dawn, labourers worked at least a nine-hour day in an effort to complete 'tasks' which in law were supposed to take six hours. If exceptional labourers completed the work in six hours, the task was increased. The pay for a completed task was one shilling, four pence below the rate in British Guiana (Beachey 1957:101), and well below the free labour market wage rate; but overtasking was the rule, so that actual plantation wages were below the statutory minimum, ranging from an average seven pence to ten pence per day in the 1880s and 1890s. Up to one-half of the women and one-third of the men did not earn sufficient income to cover minimum food expenses. The infant mortality rate was 20 per cent, and the overall death rate for people in their twenties rose as high as 5 per cent, roughly double the rate for the free Indian population. Close to 10 per cent of adult immigrants died within five years of arrival in Fiji. Inevitable labour discontent was suppressed by corporal punishment on the plantation, and by 1886 government legislation described in the *Fiji Times* as 'positively unique in the history of Fiji (i.e.) an Ordinance framed in the interest of the employers' (Gillion 1962:83). It became illegal for groups of more than five labourers to complain of ill-treatment; and heavier penalties were imposed

for insufficient work. With government inspection of plantations totally inadequate, and the scales of justice weighted in favour of the European employer, the *narak* (hell) of indenture was intensified by fines and imprisonment, and extended by the periods spent in prison or absent from work. Before 1912, 20-25 per cent of indentured Indians had their time in coercive labour prolonged — by an average 111 days in 1904.

Profit-making or loss-minimization during the sugar slump was done, then, by placing an underpaid Indian at the receiving end of an Australian overseer's whip or swagger stick. And it was done at a frightful cost: the suicide rate amongst Indian indentured labourers in Fiji between 1902 and 1912 was six times the rate amongst free Indians in Fiji, and fifteen times the rate in the Indian province from which most immigrants came. However, a critical factor in CSR's success, and one insufficiently emphasized or ignored completely in existing analyses, was technical innovation in response to unfavourable demand conditions, coupled after 1890 with a policy of financing expansion in Fiji by reinvesting profits made there, rather than by borrowing (Day 1948; CSR 2935, 3528).

CSR's general manager, E.W. Knox, observed in 1886 that with beet sugar and Java sugar prices in Sydney at or below £10 10s per ton, the ratio of sugar cane input (in tons) to raw sugar output (in tons) had to be reduced below 10 to 1 if a moderate profit of around 5 per cent were to be earned on capital employed. Nausori mill's ratio in the previous year had been 11.5 to 1 (CSR 3505). The required reduction could be brought about by crushing sweeter cane, or from increasing the efficiency of extracting sugar in the cane. In the early colonial period, it was the latter which was crucial to CSR's international competitiveness. After the general manager's visit to the West Indies in 1877, double crushing was introduced. Scottish and German chemists were appointed and began sophisticated scientific analysis of sucrose in cane inputs and of sucrose output in the form of raw sugar. In 1884, CSR patented a sugar cane diffusion apparatus for extracting sugar from cane. And following an 1885 visit by the general manager to German beet factories, chemists in all mills were assigned a senior managerial role. The result was a one-third reduction in losses from raw sugar manufacture between 1886 and 1889. For every 100 tons of cane with a pure obtainable sugar content (POCS) of 10 per cent, whereas say three tons may have been lost in 1886 (to take an arithmetically convenient example), only two tons were lost in 1889. Further innovations in raw sugar manufacture followed in the 1890s, including the introduction of the shredder — a precrushing preparatory device — and treble crushing (Day 1948:6; Lowndes 1956:35-6, 413; CSO 2793/1884).

Applied research on cane cultivation began in the late 1880s: fertilizer trials, soil analysis, green manuring, cane nurseries and Javanese experience all pointed to the benefits of local knowledge and intensive cultivation in procuring heavier,

sweeter crops. From 1888, one of CSR's head office chemists worked full time on manuring and treatment of CSR plantations and on appropriate cane varieties. The most important innovation in cultivation technology of the early colonial period arose out of this research and the continued chemical book-keeping at the mills: the introduction by 1902 of Badila in place of Malabar cane as the dominant variety in the Lautoka, Rarawai and Labasa mill areas. The sugar content of crops in the latter areas thereafter was consistently much higher than that of the more rain-tolerant Malabar crops on the Rewa, ensuring the greater profitability of the dry-side mills, and encouraging the search for still further improvements, symbolized by the establishment of a plant-breeding station at Rarawai in 1904 (CSR 2262).

The combined effect of technical improvements in milling and cultivation is illustrated by the fact that, in 1906, the ratio of cane crushed to raw sugar output at Nausori mill had fallen to 8.9 from 11.5 in 1885. At Rarawai it was 7.8; at Labasa, about 7.5; and at Lautoka, in a poor year, it was 8.5 (Lowndes 1956:40, 75; CSR 2191, 3524). The associated cost savings to CSR were substantial. With a cane price of ten shillings per ton, the lowest cost per ton of cane crushed achieved up to 1887 was allegedly 17s 6d, according to confidential information supplied by Knox to the colonial government (CSR 2190). Given a yield of one ton of raw sugar to ten tons of cane, the cost of raw sugar at the mill therefore was £8 15s per ton. Given a yield of one to eight however, the cost of raw sugar at the mill, other things equal, fell to £7, a 20 per cent cost saving crucial to CSR's realization of profits. And of the latter's primacy there was no doubt. Writing to a Fiji mill manager, Knox was emphatic that

any business undertaking must be run on business and not on philanthropic principles. If it is to stand up, it must stand on its own feet, i.e. on its profit-earning capacity...

... There is of course something to be said in favour of adopting such an expedient as watering the capital while the epidemic of flabby sentimentalism now raging promotes malicious and untruthful criticism; but I have never yet been able to convince myself that it would be good for us to adopt this course, so as to reduce the rate of dividend declared ... (CSR 1053).

In the period 1887-98, CSR profits in Fiji would have needed no artificial reduction, even if they had been taxable (which they were not until 1921). Knox's private calculations showed a total gross profit of £545,331 on average capital employed of £882,000, or 5.2 per cent. Net of depreciation at 2.2 per cent, the profit rate was barely 3 per cent. Had the capital been borrowed at 5 per cent, therefore, net profits would have failed to cover interest charges (CSR 2934).

Fiji's second major export, copra, was produced in roughly equal shares by Fijian villagers and European planters, and marketed through European merchant companies. From 1876 to 1906, it accounted for an average 21 per cent of total domestic exports, expanding by value at an annual rate of 3.8 per cent. This was achieved because of a 4 per cent per annum increase in the export quantum in the face of virtual secular stagnation in the copra price. But it was the most unstable growth of any sub-period before 1939 as a result of the extremely high instability of export production, exacerbated in turn by price instability.

The growth in the copra export quantum reflected an expansion in production in southern Vanua Levu and the eastern islands of Fiji, which followed the 1870s cotton collapse and which was encouraged by rising prices in 1876-80. Ninety-six per cent of the coconut acreage cultivated by Europeans in 1882 was in this region (*Fiji Blue Book* 1882); and it was here that most of the Fijian tax copra was collected. Copra's continued hegemony was guaranteed by the simplicity of its production technology, the compatibility of the coconut palm with other crop growing, relatively low labour requirements and, above all, by the relative imperviousness of coconut palm productivity to considerable variations in labour inputs to plantation maintenance (Brookfield 1974:135-50). Most importantly for the European planter, the latter made reliance on short-term contract Fijian labour commercially viable.

The 1880s copra price slump, drought in the Lau group between 1883 and 1886, and hurricanes in 1886 and 1888, led to the bankruptcy of some planters and some of their merchant creditors, most notably the Hennings company — once referred to as the creators of Fijian commerce (Knapman 1976a; Scarr 1972). But when the copra price began its recovery in the late 1890s, output was increased readily. The cultivated area was extended too, though many young trees were lost to disease (Twyford and Wright 1965:185).

However, the great variation in the export volume, reinforced by price instability, compelled increasing concentration in copra marketing. William Hennings, writing to a colonial official in 1883 (Hennings Papers), had predicted that 'the best part of the country will be in the hands of a few big companies before long'. His company's Lau trading network was taken over by an itinerant trader in the 1890s, only to be taken over again in 1901 by Henry Marks, one of Fiji's paramount merchants, whose later (1920) amalgamation with Morris, Hedstrom & Co. would create the largest merchant company in the colony (Knapman 1976a:31).

'Golden age' growth, 1906-15

The period down to World War I was characterized by fast export growth and relatively mild fluctuations, largely as a

result of the most rapid sugar export growth of any of the sub-periods. On the supply side, sugar growth reflected a reasonably stable 6.6 per cent annual increase in the volume of exports. This was largely brought about by further (4.1 per cent annual average) increases in the cultivated area through tramway extensions linking Lautoka with Rarawai and with Sigatoka (Day 1948), so that by 1915 approximately 62,000 acres were devoted to sugar cane growing, compared with 40,000 acres in 1906 (*Fiji Blue Books*). The area represented most of the first-class land within Fiji's present cane perimeter (Ward 1965:30). Export volume growth was also the pay-off of developments in the early colonial period — the increase in cane growing and milling capacity, and the experimentation and innovation in cane growing. Aside from the introduction of quadruple crushing at Labasa mill by 1910, and the planting of some H.109 cane by 1911, milling technology and equipment and cane varieties changed little during the period (Day 1948; CSR 2076, 3524). But mere installation was no guarantee of efficient operation, and there were significant gains in milling efficiency through learning-by-doing. Similarly, it took time for planters to adopt Badila cane and more intensive cultivation, particularly the use of manure. Again, however, cost savings were substantial. The sugar cane/raw sugar ratio at Rarawai mill fell steadily from 7.8 in 1906 to 6.6 in 1913; and at Lautoka it dropped from 8.5 in 1906 to 7.0 in 1915 (CSR 2636-2640, 2135-2142). Using the figure given above for cost per ton of cane crushed, the cost saving was at least 12.5 per cent.

On the external demand side, England had undermined the beet sugar ascendancy by placing an embargo on imports of subsidized sugar in 1902, which culminated in the 1903 Brussels Sugar Convention and the banning of sugar export bounties (Lowndes 1956:57; Timoshenko and Swerling 1957:238). The associated shift in demand for cane sugar led to its renewed predominance in world sugar production; and the sugar price stabilized and then increased. Cost-efficiency and the average annual price rise of 3 per cent increased the profitability of CSR's Fiji operations. Knox informed the colonial governor in 1912 that net profit on capital employed was almost 6 per cent in the period 1901-11 (CSR 2935). In fact, the figure was 9 per cent; and it increased further during 1911-15 (Knapman 1983:49-50; Moynagh 1981:65-7). The early twentieth century, then, may be labelled a period of 'golden age' growth because of sugar export expansion and CSR profitability — not because it brought great improvements to plantation labour's living standards. Overtasking was reduced as a result of more effective government inspection, a break-up of CSR estates, and economic prosperity; and by 1908, labourers were earning the statutory minimum wage. To earn it, however, they still had to work hours beyond the legal limit, and to live in conditions which 'were regarded as deplorable by the more sensitive men at the time' (Gillion 1962:129).

Living conditions of the relatively few Indian labourers on copra plantations allegedly were worse than those on sugar plantations (Gillion 1962:103), probably because the money wage level was even more crucial to the profitability of plantations growing a crop much less responsive than sugar to productivity-improving biological control, and because Fiji's copra sector was only mildly expansionary. The copra export growth rate in 1906-15 was 2.2 per cent, and resulted almost entirely from demand-side developments. Most important, technical innovations permitting the use of vegetable fats in margarine manufacture led to an increased European demand for palm and coconut oil, which more than offset the growth in West African supply (Wilson 1954: vol 2, 102). The Fiji copra price rose 2.3 per cent per annum and encouraged European planters to expand their cultivated acreage. Coconut palms took six years or so to bear, however; and the immediate overall output increase was negligible. As in the years 1876-1906, the notable feature of copra exports, and one which continued to distinguish them from sugar exports, was that volume instability exceeded price instability.

The 'swing era', 1915-34

These years exhibited absolute decline and by far the greatest degree of export fluctuations in Fiji's modern economic history (Knapman and Schiavo-Campo 1983), with both sugar and copra export earnings highly unstable and lower at the end than at the beginning of the period.

The fall in sugar export earnings was the outcome of negligible volume growth and a secular price decline of over 3 per cent per annum. World War I devastated the sugar beet economy of continental Europe and led to a rapid rise in sugar prices peaking in 1920. Initially there was a marked supply response, CSR mills' production increasing to a record 114,000 tons in 1916 (Lowndes 1956:435-7). But in that year the British colonial government in India terminated Indian indentured labour immigration, a move which would ultimately compel a major institutional change in the sugar industry from a plantation to a small farmer mode of production. In the short run, production fell as money wages for free labour rose 67 per cent between 1914 and 1920, the planted area of CSR estates declined, and European planters gave up their leaseholds or sold their freehold land (CSR 3127). A two-thirds crop was expected in 1918, and the 1919 raw sugar output of CSR mills was the lowest since 1906 (CSR 3528). Then, in January 1920, the colonial government cancelled existing indentures. Strikes by Fiji Indians followed in the Suva-Rewa district in the same month and, in 1921, throughout the sugar districts, basically because money wage rises had been swamped by price increases (Ali 1980; Gillion 1977; *Fiji Royal Gazette* 1921). The sugar cane area under cultivation consequently declined at a time when European beet sugar production was recovering and forcing prices down.

Labour supply difficulties, the drop in the sugar price, and the 1920 increase to £1 per ton of the sugar export duty levied from 1916, necessitated a decision by the British Columbia Sugar Refining Company which CSR itself had anticipated making. In January 1922, the president of the former company informed CSR's general manager that 'our patience is exhausted, and rather than risk further expenditure of capital under such unsettled and uncertain conditions, we have decided to close down' (CSR 2923). CSR had already stopped further capital expenditure in Fiji (CSR 3534) and had adopted a precautionary financial policy. Knox told the colonial governor in 1919 (CSR 2935):

it behoves us to husband, as far as possible, any windfall derived from high prices, so that in the event of collapse, we may be in a position to return to our shareholders as large a proportion as possible of the capital they have sunk in the Colony.

Such husbanding and repatriation of capital was undertaken very successfully through the formation of a subsidiary company, the Colonial Sugar Refining Company (Fiji and New Zealand) Ltd. In its short life from March 1915 to May 1923, the subsidiary returned to parent company shareholders a total of £7.7 million in dividends, bonuses and capital repayments on an initial capital outlay of £3.5 million — or an average 15 per cent per annum (CSR 3534). This return was exclusive of any allocations to hidden reserves and was made from raw sugar sales to CSR's Auckland refinery at prices well below open-market levels.

Neither supply-side nor demand-side developments in the period immediately subsequent to liquidation of the CSR subsidiary were cause for optimism. The 1923 crop was less than one-third of mill capacity, forcing Rarawai mill into complete idleness; less than one-quarter of CSR estate land had been planted for the 1924 season; and in 1924 Britain began subsidized beet production (CSR 3528). In March of the same year, Knox announced the writing down of CSR's assets in Fiji from £2.8 million to £1.1 million, largely to impress the Colonial Office with the gravity of the sugar situation (CSR 3529; Moynagh 1981:118). He followed it up two months later with a statement to shareholders that CSR would have to withdraw from Fiji if the sugar fell to its 1913 level (CSR 3529). For the next two years the price headed in precisely that direction, claiming the Penang mill and leaving CSR the sole sugar miller in Fiji by 1926. Yet while CSR would not purchase the British Columbia company's mill at what the president of the parent company regarded as a 'sacrifice price', it *did* buy the Penang mill and land. At base the decision of course reflected the mill's position on the profitable dry side of Viti Levu. Navua had been too wet for cane growing from the beginning. But the take-over also indicated a turn-around in CSR's perception of its future in Fiji, for it was essentially pre-emptive: purchase of the mill and land forestalled any

possibility of pineapple growing on high quality cane land that CSR now wanted to be cultivated by Indians (Moynagh 1981:134).

Knox, in his capacity as chairman of the board of directors, had visited the Colonial Office in 1922 and persuaded the Secretary of State for the Colonies, Winston Churchill, to abolish the sugar export duty without consulting the colonial government in Fiji (CSR 2923; Moynagh 1981:112; *Legislative Council Debates* 1923). Tax relief was followed from 1923 by utilization of the British preference on Empire-grown sugar, which was stabilized at £3 15s per ton in 1925 and, allowing for transport costs, secured a price for Fiji sugar between £1 15s and £2 per ton above ex-Empire prices (Day 1948; Moynagh 1981:113; CSR 2923). CSR's chief Fiji inspector argued that with this assistance and its enormous reserves from the prosperous war years, the company could re-establish the sugar industry on a secure basis without indentured labour, provided it reversed its policy of awaiting a decision on renewal of immigration. CSR estates could attract only 60 to 65 per cent of the labour used during the indenture period in circumstances where — despite labour-saving technical innovation primarily involving the substitution of tractor for horse power — 130 per cent was needed to restore estates to full production. The simple fact was that free Indians who could lease land from Fijians or Europeans would do so in preference to wage labouring, so that sugar recovery depended on independent grower cooperation and the leasing to Indians of land CSR could not cultivate on the plantation system (CSR 2923).

Supply from Indian growers was encouraged by a 3s 6d bonus on the base price of 10s per ton of cane and by CSR advances at the low interest rate of 5 per cent (CSR 2923), with the area cultivated by independent growers increasing from 17,000 acres in 1923 to 34,000 in 1934 (CSR 3524). The cane inspector's initiative was not lost on Knox, who from 1891 had experimented with the subdivision that by 1917 he recognized as essential:

we must concentrate our efforts on the attempts to render the industry as far as practicable independent of further immigration by settling the lands with growers who will constitute their own labour force for the cultivation and harvesting of the crop (CSR 2935).

Between 1923 and 1933, CSR leased 36,000 acres of its land to Indians; and by the end of 1934 company tenants holding ten-year leases of ten-acre farms accounted for 53 per cent of the 84,500 acres under cane cultivation. Growers leasing generally smaller areas of non-CSR land accounted for 40 per cent, and CSR for just 6 per cent (Moynagh 1981:123).

The renewal of output growth in the late 1920s and a minor recovery of the sugar price in 1927–28 produced a resurgence in export earnings to war-time levels. But the basic price trend

was downward throughout the period of institutional change; and when Fiji suffered the backlash of the Great Depression, the sugar price plummeted. The effects of the fall were compounded on the supply side by hurricanes at Labasa in 1929 and at Ba in 1931 (Day 1948). Both were reflected in CSR's profitability. While the company paid a 12.5 per cent dividend throughout 1925-34, this was sustainable in the thirties largely because of the effect of compound interest on the retained profits of forty years. Absolute profits on assets valued at £3 million averaged £306,000 in 1926-27 and 1929, fell to £40,000 in the year ending 31 March 1930, and stayed well under pre-Depression levels for the rest of the decade (CSR 2935; CO 83/189; Moynagh 1981:66, 148).

Two external developments kept CSR, and therefore the Fiji economy, from feeling the full force of the Depression. First, the depreciation of the Australian, New Zealand and Fiji pounds against sterling between 1929 and 1933 ensured CSR would cover variable costs and depreciation (CSR 3529). Second, a net profit on sugar exports was assured by the introduction in 1932 of an additional Imperial preference, set at £3 5s per ton on a quota of 55,000 tons in 1934 (Day 1948). The importance of a sheltered market in Britain and Canada to the maintenance of the economic and political *status quo* in Fiji was revealed in the fate of the sugar export economies which sold on the open market. Though they agreed to reduce surplus sugar stocks, they failed to prevent a continued price fall. Severe economic contraction resulted, and often led to political unrest. Java's 1931-32 sugar export tonnage, for example, was 17 per cent of the 1928-29 level (Kindleberger 1973:94). In contrast, Fiji's 1931 sugar export tonnage was 56 per cent of the 1928 level, despite a serious hurricane, and rose to a record level in 1932 (*Fiji Blue Books*). Such a relatively strong export performance reflected a minimal fall and rapid recovery in Fiji's cane supply between 1929 and 1932, due in large measure to CSR keeping the cane price stable at its 1923 level as Indian settlement proceeded. Thus, as Moynagh (1981:147) observes:

Unlike the overwhelming majority of peasant cash farmers in the tropics, cane growers in Fiji did not experience a fall in their incomes as a result of the depression. Their earnings remained relatively stable apart from fluctuations caused by weather conditions.

This is not saying much though. Ten thousand tenant farmers' earnings undoubtedly were higher than the collective earnings of themselves, their wives, and their children would have been under indenture. They had exchanged the discipline of the plantation barracks for the freedom of dispersed thatch huts and tin shacks (Ali 1980:15; Gillion 1962:142-3). But their lack of capital and tenant status meant that their institutionalized poverty had merely changed its form. From a company perspective, CSR's tenancy agreement, credit extension, use of unpaid tenants' labour

in cane cutting and milling, and strict supervision of cultivation practices, constituted benevolent paternalism of benefit to both parties because it ensured continued high cane yields. From a tenant's perspective, all this was indenture in disguise, CSR's method of shifting cultivation risks while simultaneously ensuring that cane could be bought cheaper than it could be grown on company plantations. As one Indian visitor to Fiji put it in 1938, 'I had no idea till I went to Fiji of the enormous power wielded by the C.S.R. Co. Its tenants are no better than labourers and completely under its thumb' (Gillion 1977:161). If a recalcitrant tenant could be brought into line by threat of eviction, the self-willed 'contractor' on a Fijian lease faced CSR refusal to buy his cane. And cane sale was imperative because the contractor was certain to be heavily indebted. Like the CSR tenant, he borrowed to lease land, to build a house, to buy seed and equipment, and to live during the twelve to eighteen months before harvest. He borrowed more if there was a natural disaster or if children were married. He borrowed, moreover, at annual rates of interest up to 60 per cent — from Europeans, and from the Punjabi farmers and Gujarati storekeepers who had paid their own passage to Fiji and never experienced indentured labour (Gillion 1977:162-3).

The Indian cane-grower's commercial survival margin was therefore narrow. As early as 1930, several growers in Nadroga abandoned their farms on the eve of harvest because moneylenders had obtained writs of attachment over cane proceeds payable by CSR, leaving no returns to the growers and the loan principal still to be paid off (CSO 1135/1930). The survival margin got narrower as population pressure on available cane land developed from the 1930s, creating a reserve army of replacement tenants searching for employment in the monetary sector of the colonial economy (Moynagh 1981:155-9).

Some employment opportunities had opened up on copra plantations after 1905, when government put Indian labour within reach of the small-scale European planter by introducing a system of deferred payments for a limit of thirty labourers. By 1916 — four years after the importation of Melanesian labour ceased — one-third of indentured Indians were working outside of sugar plantations in the growing of other export crops, in domestic service, and in miscellaneous occupations (Gillion 1962:101-2). The copra economy offered no growth in employment opportunities thereafter, however. Secular decline and considerable instability characterized copra export earnings between 1915 and 1934, with slow volume growth being outweighed by a substantial 4 per cent per annum price decline and volume instability being reinforced yet again by price instability.

While South Seas copra generally received a lower price than copra from any other region because the sundrying technique in a humid climate caused an unduly high free fatty acid content (United States, Tariff Commission 1932:79; MH, Circular Book 1),

copra shared in the high prices and profits resulting from the postwar world scramble for primary products, the 1920 copra price being 56 per cent above its 1913 level (*Fiji Blue Books*). The boom ended when consumption and stock demand were satisfied and shipping problems were eliminated, sending the copra price plummeting in 1921 and 1922. Price recovery and stability came with the rapid expansion of world trade from 1925 to 1929, but the Wall Street crash caused a running down of primary product stocks and a rapid fall in the copra price (Rowe 1965:78-9, 85). Arrested only temporarily when Britain went off the gold standard in 1931, the price fall accelerated down to 1934 when, at 22 per cent of its 1913 level, the copra price was the lowest it had ever been in Fiji's colonial economic history.

Supply-side developments were a function of the copra price movement. The area planted to coconuts expanded up to 1920, but little new planting occurred thereafter (Ward 1965:31); and export volume changes reflected the harvesting response to price changes. Output recovered and stabilized in the late 1920s, despite a threat to the coconut industry's existence from the Levuana moth (CSO F2/243), but then dropped rapidly between 1929 and 1934, taking plantation profitability with it. Morris, Hedstrom's manager contended that, up to the 1921 slump, profits on the several million pounds invested in copra production had been 'reasonably secure', though not large (CSO F2/45/66). By the end of 1930, however, development work on this merchant company's estates had ceased: despite the fact that wage rates in June 1931 were less than half the going rate of a year before, the profit margin was insufficient to warrant more than minimal maintenance (MH, Circular Book 3). Some major Taveuni planters, unable to meet interest payments on bank advances and unwilling to borrow further, sold out. Others took out larger mortgages, reduced the plantation workforce, and utilized more family labour. The small-scale planters who stayed on in Savu Savu and Lau similarly shifted towards a family-farm mode of operation, exchanging the comfortable lifestyle founded on imported goods for a subsistence existence founded on hunting, gathering, and root crop planting, and supplemented by the small cash income from copra and from wage employment, particularly on the newly-discovered goldfields at Yanawai and Tavua. Success now was measured by retention of physical health, of the land, and of a home in want of repair (*Fiji Times* 5 July 1930; McDonnell 1980; Knapman 1976a; Low 1962).

The retreat into subsistence was less painful for Fijians of course, though their double orientation to subsistence and cash crop production was well-established by 1930 (see Chapter 3). High copra prices had permitted villagers in eastern Fiji to earn cash income for taxes and personal expenditure with ease. In 1931-33, however, there were shortfalls in the government and provincial taxes, cutbacks in consumption of imports, and a mood of depression which extended from the plantation to the village:

on all the isles that I touched at I felt an atmosphere of forlornness and desertion. Even the many copra plantations, that not so long ago produced some of the best copra in the South Seas, were almost deserted ... (Shepherd 1934:46).

No direct Imperial or colonial government assistance alleviated the effects of depression. Currency depreciation afforded some relief to the copra industry, though the final devaluation in 1933 was less than planters had lobbied for (see Chapter 7). Most important, the copra producer did not sell in a sheltered market and so felt the full force of the Great Depression: whereas sugar exports in 1934 were 53 per cent of their 1928 level, copra exports were 20 per cent (*Fiji Blue Books*).

Diversified growth, 1934-39

The remarkably smooth and speedy recovery of Fiji's export earnings in the late 1930s owed much to individual European prospectors, whose exploratory efforts in the two main islands earlier in the decade identified commercial deposits of gold. The deposits were not mined by their discoverer, however. It was colonial government policy, approved by the Secretary of State for the Colonies, that — as John Maynard Hedstrom explained in April 1935 (MH) — 'the Tavua proposition is not one for a small man but must be developed by people with substantial capital'. Pre-eminent were the Australian capitalists E.G. Theodore, P.F. Cody, John Wren and Frank Packer, who constituted the Emperor Group. This company largely was responsible for making gold Fiji's second major export virtually overnight: in the years 1936-40, gold earned twice as much foreign exchange as copra and copra products, and almost half as much as sugar. Returns to foreign and domestic factors of production were high. The profit rate on an original investment of 1.2 million was well in excess of 20 per cent between 1936 and 1946; and Fijian workers received a wage 150 per cent of the copra plantation rate (Usher 1943:69; Stanner 1953:195; Fraser 1954; Low 1962:125-7).

Sugar exports increased at a moderate and very stable rate largely as a result of a price improvement; while copra exports staged a recovery from their 1934 nadir because of both volume and price improvements. But the latter was a very unstable recovery from a hopeless to a desperate position, in which even the very best plantations could barely cover working expenses and minimum maintenance costs. An unknown number of planters went bankrupt, some selling land at a quarter of its purchase price (Grey 1944:72). The Savu Savu Planters' Association, which had run a shipping service for planters on Vanua Levu and Taveuni, was disbanded. One major merchant company, A.M. Brodziak Ltd, had gone into liquidation in 1929 after 60 years in Fiji (Supreme Court of Fiji: Bankruptcy Action No 1, 1930). In 1936, another company,

Brown and Joske, was taken over by the Australian firm W.R. Carpenter Ltd. By World War II, copra marketing was dominated by three large merchant companies — Carpenters, Morris Hedstrom, and Burns Philp (CSO F2/45/10, F2/45/66; CSO 2118/1930). And even these were doing such bad business that they no longer paid cash for copra — as one member of a planter family recollects:

We scraped together our small output of copra, and went, like beggars, to the merchants, to accept the goods they chose to give us. Never did we dream, when we came to Fiji, that such a state of affairs would ever exist (Low 1962:151).

The future seemed to belong to sugar and gold, specifically the large companies which produced them and lived off the income they generated.

A retrospective summary

The quantitative record shows, then, that Fiji, in common with many other tropical countries, experienced a sequence of growth and depression in the period 1875 to 1939. Fiji's export growth was atypical, however, in that it largely reflected sugar export growth at a time when sugar colonies generally were an exception to the rule of tropical growth because of their failure to improve productivity or develop other crops. Similarly, sugar dependence did not automatically condemn Fiji to the full consequences of depression and trade instability after World War I. Its colonial status ensured a sheltered export market; and the vertical integration and pricing policy of CSR, whatever other effects it had, resulted in a sugar price more stable than the free market price. The latter's instability index for 1915-34, calculated from data in Lowndes (1956:443), was 0.562, compared with 0.357 for the declared Fiji price. This in turn undoubtedly contributed to the fact that sugar export earnings instability generally resulted from export volume instability rather than from price instability. As sugar export expansion in Viti Levu and Vanua Levu was synonymous with the spread of the money economy there, so was the much more moderate copra export expansion synonymous with the monetization of the regional economy of southern Vanua Levu and eastern Fiji. But the copra economy more closely followed the general tropical pattern in that it suffered the full effects of depression and vulnerability to external price fluctuations.

The foregoing survey of Fiji's economic history also makes it clear in general terms that foreign capital and labour were the crucial agents of the documented export expansion. European plantation development was of major quantitative importance to copra export growth; and merchant oligopoly characterized copra marketing. Australian capital developed the gold industry in the

1930s. Most importantly, CSR capital and technology and Indian labour – first on plantations and then on small-scale farms – were responsible for the transformation of Fiji into an export economy heavily dependent on sugar. As company management recognized, immigration of indentured Indian labour 'had been responsible for practically the whole development of the country, and ... everybody in the Colony had greatly benefited by, and in a very large measure lived on, the primary industries carried on by Indian labour' (CSR 2923). A British government committee investigating Indian emigration to Crown Colonies even offered the bold counterfactual proposition that 'without the help of the Indian coolie the Colony must have remained in a state of comparative stagnation' (Gillion 1962:165). Conventional wisdom had it that the latter characterized the indigenous economy.

Chapter 3

Continuity and change in the noncapitalist economy

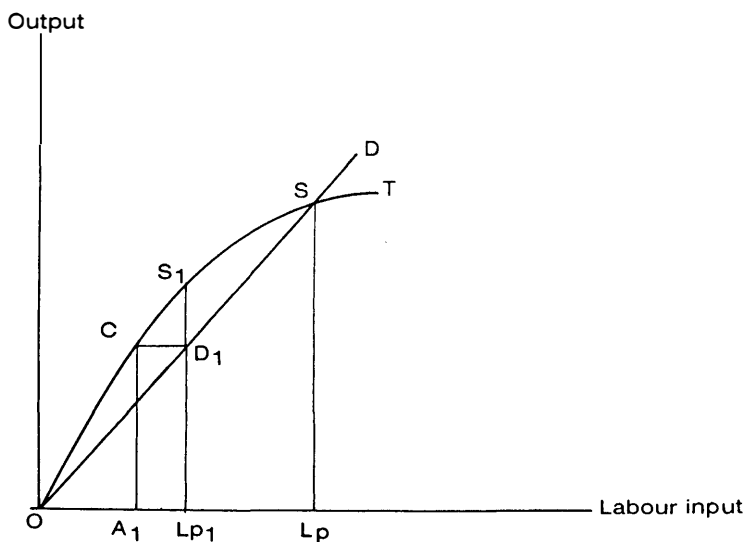
From the beginning of colonial rule, government policy on indigenous economic development aimed at a controlled and gentle integration of Fijians into the world capitalist economy through cash-cropping on Fijian-owned land. Rapid export development *was* left to transnational capital and imported labour; but contrary to some opinion (Clammer 1973:199-200; France 1969), a static dualism of noncapitalist and capitalist sectors was never planned. This chapter examines what actually happened to the noncapitalist economy between 1874 and 1939, what role Fijians played in export growth, how this role was conditioned by colonial economic policy, what effects any monetary activity had on tribal society, and how Fijians reacted to economic depression. It begins by advancing a relevant model of the noncapitalist economy.

A model of the noncapitalist economy

Tribal-based and peasant-based export development have been commonly explained by the vent-for-surplus model of international trade in which trade creates new taste patterns and thereby stimulates increasing utilization of a general surplus productive capacity (Myint 1971). In the Fisk (1975) formulation presented graphically in Figure 3.1, the production function of a closed tribal economy producing food from a given land area, technology and capital is shown as OT. OD shows the 'traditional' output demands of varying sizes of population, assuming that the labour force is a constant proportion of population, and that per worker demand and therefore output are constant at Lp_1D_1/OLp_1 . The per worker demand consists of a biological minimum necessary to sustain the workforce, plus output necessary to achieve socially acceptable standards of food, clothing and shelter, plus output necessary for ceremonial essential to the reproduction of tribal society. This demand, and any additional output to cover the risk of a bad season, places a ceiling on production. At low person/land ratios, therefore, the economy may be designated 'affluent'. In the case of a population level consonant with labour force Lp_1 , for example, potential output is Lp_1S_1 , but aggregate demand and hence actual output is Lp_1D_1 . The latter output could be produced by a labour input of OA_1 , implying

A_1Lp_1 is surplus — which in practice would be revealed in short working days rather than as unemployed individuals. As Basil Thomson (1908:83) put it with some exaggeration at a time of Fijian population decline, 'The earth need only be tickled to laugh back in harvest'. The time involved in precolonial Fiji was, according to Bayliss-Smith's estimate (1980:79-80), about three hours per worker per day — a figure typical of agriculturally-based societies (Sahlins 1978:17).

Figure 3.1 Maximum and actual production in a noncapitalist economy



This model has two crucial, and related, implications. First, the tribal labour force is working below its capacity because of a lack of incentives, not because of 'insufficient moral fibre, or laziness, or other reprehensible forms of irrationality' (Fisk 1975:83). Given a felt need for cash in the post-European contact period, tribespeople may utilize surplus labour time in casual wage employment or, more likely, in cash crop production. Second, so long as monetary activity involves the use of surplus domestic resources, such activity is compatible with the maintenance of existing tribal socio-economic structures (Dewey and Hopkins 1978:73). Labour migration does not create excessive burdens on the resident village workforce; and cash crops can be sold on a strict pecuniary basis to strangers, who also supply imported goods which can be consumed, or can enter into an established exchange system operating on substantively different principles (Gregory 1981). What Fijians call 'the way of the land' can be adapted to encompass 'the path of money' so that, contrary to the predictions of Marxist and dependency paradigms

(Foster-Carter 1978), increasing integration into the world capitalist economy does not necessarily cause disintegration of local structures. Herein, perhaps, lies an explanation of the common post-World War II impression of Fijian society, that 'for many rural Fijians a century of alien occupation had made surprisingly little difference in the private forms of social life' (Stanner 1953:176).

Model and reality

In precolonial Fiji, with a population probably never exceeding 400,000 (McArthur 1967:4-7), and upwards of one million acres suitable for cultivation, subsistence affluence was possible. But it was not always realizable. Nor was the tribal economy completely uniform and unchanging.

Defence took precedence over opulence, for 'comparatively large areas of good fertile soil of easy relief and well-drained which could have supported large populations, characteristically show no evidence of ancient settlements' (Twyford and Wright 1965:171). And where there *is* evidence of dense settlements on such soils, there is also evidence that opulence frequently enough was transformed by the depredations of war into scarcity, as exemplified by the tribal political economy of the Rewa delta. Here, in the mid-nineteenth century, a population of between 35,000 and 40,000 lived 680-775 to the square mile of cultivable land (Parry 1977:73) within a political confederation (*matanitu*) under threat from the expansionary coastal federation (*vanua*) of Bau (Scarr 1973:24-6). Neither population densities nor tribal socio-political organization and its ceremonial demands could be supported by an extensive shifting cultivation system in an environment of frequent flooding and high water tables. So the Rewan population, to use Brookfield's (1972a:34) terminology, moved up the hierarchy of feasible agricultural ecosystems to the intensive cultivation of flood-, wind-, and salt-tolerant giant swamp taro (*via kana*) in gardens which could be used semi-continuously. Because the *via* garden complex could be a perplexing maze of mounds and ditches to the intruder, and because the corm was storable for up to fifteen months without deterioration, the trade-off between subsistence production and defence was eased somewhat. But warfare caused food scarcity nonetheless, as European missionaries recorded (Parry 1977:24), perhaps with some exaggeration:

The Bau people ... made great havoc among the gardens and plantations of the adherents of Rewa ... for months, nay years in succession the people have been prevented by war from attending their gardens, during which period they subsisted on such wild roots and fruits as the neighbourhood supplied.

The economic benefits of pacification under colonialism therefore do not have to be laboured. Nor does the population decline which preceded and heralded the establishment of colonial rule in Fiji, and caused the disintensification of the Rewa agricultural system.

Land and population. The Fijian population in 1874 was 140,000. It declined to around 110,000 as a result of the 1875 measles epidemic, fell to a census low of 84,500 in 1921, and then recovered to 98,000 in 1936 (McArthur 1967:20, 27-8). The total land area available to support Fijians was 3.8 million acres (Ward 1965:118). Consequently, at no time between 1874 and 1939 did crude Fijian population densities exceed the low 1874 figure of 22 persons per square mile. For a subsistence economy based on shifting cultivation, this implied a land surplus in excess of 30 acres per capita (Lasaga 1963:45, 90, 147; Twyford and Wright 1965:212).

However, land was neither uniformly arable nor equally distributed. Data presented in Table 3.1 show that the sparsely populated provinces (Map 2) of Colo North, Colo West, Namosi and Macuata had the highest acreages per landowning unit and per capita; and that Kadavu, Lomaiviti, Rewa and Tailevu South had the lowest. In the latter provinces, and undoubtedly in the province of Lau, relatively high proportions of landowning units owned less than 40 acres of land - 53 per cent for Rewa, 43 per cent for Tailevu South, 39 per cent for Kadavu, and 38 per cent for Lomaiviti, compared with an average of 16 per cent for the other thirteen provinces (*Reports of the Native Lands Commission*, National Archives of Fiji [NAF]). Per capita landholdings averaged 9.5 acres, compared with a colony average of 40 acres. Importantly though, the ratio of usable to available land in these provinces was relatively high. Only about one-fifth of Fiji's land, or 9 acres per head of pre-1939 Fijian populations, was suited to agriculture; and the first-class part - 64 per cent owned by Fijians - was concentrated in the delta plains of the main rivers, paramount amongst which was the Rewa (Roth 1953:89, 91; World Bank 1977:1; Ward 1965:121). Further, the fertile volcanic islands of Kadavu, Lomaiviti and Lau were fringed with sandy coastal flats which could be planted to coconuts. Six acres in eastern Fiji or on the Rewa River therefore could provide subsistence and a cash income far in excess of six acres in, say, Colo West. And the acreage was there for development: at the end of an age of export growth (1875-1915) based on sugar and copra, 30,000 acres of cane land and 70,000 acres of coconut land remained available for immediate cultivation (Dalton 1919:2).

Nevertheless, landlessness in the midst of an overall land surplus was a distinct possibility. Data presented in Table 3.2 show that in five of the eight Rewa districts, landholdings per capita were less than 2.3 acres, the lowest being 1.1 acres. Not surprisingly, rights over land in Rewa province were more specific

Map 2 Fiji Islands: provincial boundaries before 1920

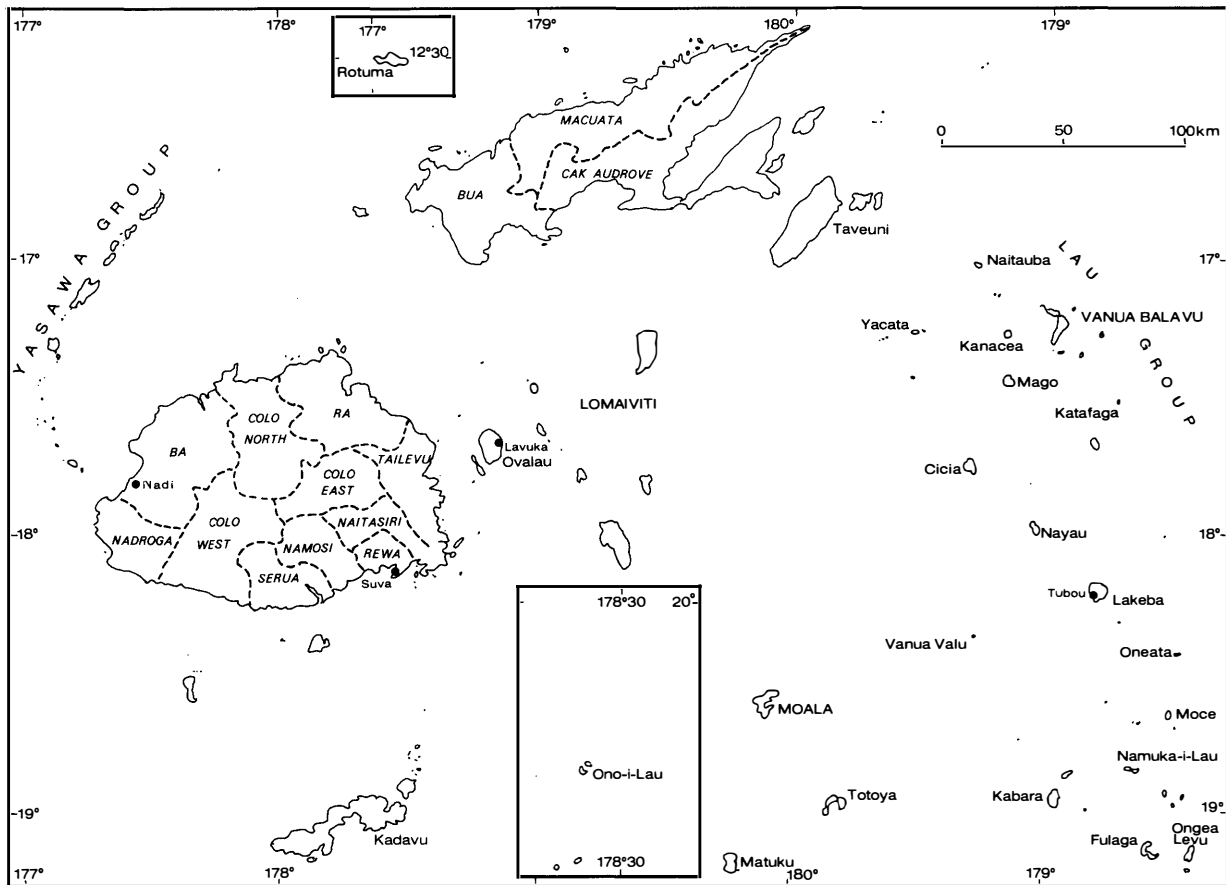


Table 3.1 Fijian landholdings by province

Province	Average area per owning unit ^a (acres)	Acreage per capita of 1936 population born in province
Ba	933	33
Bua	848	68
Cakaudrove	775	54
Colo East	576	53
Colo North	1961	76
Colo West	1782	83
Kadavu	233	15
Lomaiviti	140	11
Macuata	1134	92
Nadroga	724	30
Naitasiri	626	61
Namosi	1862	97
Ra	336	33
Rewa	169	6
Serua	698	21
Tailevu North	314	17
Tailevu South	75	6
Colony average	776	40

^aThis was usually the *mataqali*.

Note: The data in the table refer only to the area surveyed by the Native Lands Commission. The total acreage involved was 3,543,385. Approximately 200,000 acres in Ba and Colo West were not surveyed. 'Large' areas in Serua were not surveyed either. Lau province is omitted because the final Lands Commission report is yet to appear.

Source: *Reports of Native Lands Commission*; W. Burrows, *A Report on the Fijian Census, 1936*, Suva, Government Printer, 1936.

than elsewhere in the colony, claims on individual plots being so strong as to lead Land Commissioners to describe tenure as individualized, even after population decline had reduced pressure on land resources and left a Fijian with five to ten plots where pre-Cession he had only one (CSO 3163/1893; Thomson 1908:366-82). In three of seven Tailevu South districts holdings were under 4.6 acres per capita, the lowest being 2.6 acres. Moreover there were intra-district inequalities as well. For example, a 1927 Report of the Native Lands Commission showed that in Tokatoka district, Tailevu South, where the average *mataqali* of eleven people had 2.6 acres per capita, thirty-two *mataqali* had less than 1.7 acres per capita, seventeen had between 1.8 and 3.5 acres, ten had between 3.6 and 5.4 acres, and six had over 5.5 acres per capita.

Table 3.2 Fijian landholdings in Rewa and Tailevu South

Province	District	Average area of <i>mataqali</i> holdings (acres)	Acreage per capita of 1936 <i>mataqali</i> population
Rewa	Rewa	43	1.3
	Vutia	32	1.2
	Toga	90	6.4
	Noco	39	1.1
	Burebasaga	53	2.3
	Dreketi	69	1.1
	Suva	820	40.5
	Sawau	172	6.2
Tailevu South	Tokatoka	28	2.6
	Nausori	98	6.5
	Nakelo	67	4.0
	Nuku	47	6.6
	Namata	150	18.1
	Buretu	50	3.8
	Dravo	82	7.5

Source: As for Table 3.1.

In precolonial times, such a low average acreage per head and such inequality of distribution, if it existed, would not have been problematic. The acreage was sufficient for subsistence needs; and customary tenure ensured that land cultivated by a *mataqali* in decline could revert to the *veikau* ('forest') category and subsequently be cultivated by an ascendant *mataqali*. But colonial land policy cast the complexity of customary tenure in a simple mould by designating *mataqali* owners in perpetuity of areas to which they laid successful claim, and by making inter-group transfers of land illegal: differential growth rates of *mataqali* populations and needs could no longer be met, in principle, by reallocation of land (Ward 1965:133-4). In practice, the policy was slow in implementation (France 1969:165-75); and there was no need to refuse supplicants the use of land when it was in surplus. However, colonial land legislation was less likely to be ignored where the surplus was small, and where its cash value was most appreciated because superior land quality and geographic position had made contact with the capitalist economy relatively intense and, therefore, the rise in Fijian expectations relatively rapid. It is amongst the Fijians of Rewa, Tailevu South, Kadavu, Lomaiviti, and Lau that the sequences, forms and processes of change in tribal economy under colonialism can be identified most readily.

Fijian involvement in monetary activity, 1875-1901.
Colonialism did not introduce exchange to Fijian economy. There

was precolonial trade between members of sovereign tribal political units (Macnaught 1982:69); and there was a well-established long distance trade between Fiji, Tonga and Samoa (Thompson 1972:23-4). Food, sandalwood and *bêche-de-mer* trading in the late eighteenth and early nineteenth centuries are also relatively well documented as examples of the eagerness of Fijians' response to the opportunity to acquire European manufactures, particularly weapons and tools which improved the efficiency of food and handicraft production (Ward 1972; Shineberg 1967:7, 10-12, 16). When Charles Wilkes of the United States Exploring Expedition called at the Lauan island of Vanua Balavu in 1840, he found that

The chief of the principal village is a mild, good old man, who afforded all the facilities in his power, and the natives were glad to communicate and trade their taro, yams, pigs, etc. ...

The articles most in request are muskets, powder, ball, and fluits [*sic*], whales' teeth, plane irons, vermilion, buttons, bottles, trunks and chests, looking-glasses, axes, hatchets, cloth gimlets, fish-hooks, knives and scissors.

But, he added,

There is ... no certain and regular demand, the natives at one time preferring one thing, and another another, and sometimes refusing to trade altogether. Their tastes are in fact capricious (Wilkes 1845:250, 357).

The problem, then, in analysing indigenous participation in colonial export growth is to identify the constraints to further, sustained exchange. Accepting the Fisk model as a reasonably accurate simplification of Fijian tribal economy, these constraints were demandside: involvement in monetary activity depended on the extent to which cash-purchased goods entered ceremonial exchange and personal consumption, and on the demands of authority external to the village.

An immediate demand was placed on Fijian labour by the first colonial governor, Sir Arthur Gordon, who required Fijians to plant a chief's garden on the grand scale in order to meet the tax-in-kind which was seen as the essential short-term solution to the colony's revenue deficiency. Judged in terms of the dual objectives of raising revenue and stimulating Fijian cash crop production, the system was a success. Taxes fell short in 1876 but increased rapidly in 1877-79 to a level almost equal to import duties, and thereafter held steady in the range £17-21,000 until the early twentieth century (*Fijia Blue Books*). Moreover, the actual growth in Fijian cash crop production for taxation purposes was faster than the tax receipt data alone suggest. Fijians consistently received refunds of crop proceeds in excess of tax assessments, and these increased from an annual average of £2700 in 1876-84 to over £12,000 in 1892-1902 (Scarr 1980a:153, 284; Macnaught 1982:22). Inclusive of refunds, the value of Fijian cash crop production to meet direct taxes grew from around £18,800 in

1881 to about £31,000 in 1901, giving an annual average growth rate of 2 per cent. In per capita terms, the rate was 3.9 per cent, compared with a 7.4 per cent average annual increase in total domestic exports per capita (*Fiji Blue Books*). It was not spectacular growth, but it was never intended to be. Nor was it insignificant. The direct tax on Fijians still accounted for a substantial 17 per cent of government revenue in 1901 (*Fiji Blue Books*), despite the growth of the plantation enclave economy. Also, tax refunds provided cash income of 6d per capita in 1881, 1s 5d in 1891, and 2s 6d in 1901 — small but not inconsequential amounts.

As for the colony at large, the growth in compulsory Fijian cash crop production primarily reflected increased production of the two major staples, sugar and copra. Tax cane cultivation began on the Rewa and Navua rivers and extended to Ba, Ra and Macuata provinces as milling facilities became available. Fijian cane output in 1884, at 9000 tons, accounted for 12 per cent of the total Fiji crush, and grew to 15,500 tons in 1900, or 6 per cent of the total Fiji crush (CSO 2396/1890; Moynagh 1981:34). Direct data on Fijian copra production are not available, but estimates can be made by deducting copra tonnage produced by European plantations from the copra export volume, both as given in the *Fiji Blue Books*. On these data, the growth rate in Fijian-produced copra exports was 3.2 per cent per annum between 1882 and 1901, compared with 3.7 per cent per annum for total copra export volume, so that the Fijian contribution to expanding copra exports roughly matched the Europeans. This is confirmed by data on acreage planted to coconut palms: Fijian groves covered 26,000 acres by 1900, half the total acreage planted to that date (Ward 1965:155; Snodgrass 1928: appendix, Table 1).

Not all of the above-mentioned growth was for tax purposes. Part of Fijians' cash income went to the Methodist Church, which by 1874 claimed 89 per cent of the total Fijian population as its own and which, through the chiefs, requested that a tithe, preferably in cash, be presented at the annual *vakamisioneri* collection (Thornley 1979:19). £2600 was donated annually in the 1870s, and £4400 in the 1890s. Caesar clearly came first; but the church in Fiji was financially successful nonetheless. As donations rose, church expenses remained stable, and by 1902 half of the *vakamisioneri* collection could be sent in support of overseas mission work. It was then the chiefs' complaint that the latter was a drain on Fiji's resources (Thornley 1979:265). They no doubt could see a need for cash to be retained in the indigenous economy in order to meet consumption demand, some of it pragmatically conspicuous. An early enthusiasm for owning and operating schooners and cutters for carriage of commercial and tax copra, inter-island voyages, and ostentatious wealth displays, continued down to the 1920s (Couper 1967:120), much to the annoyance of those self-contradictory members of the European Chamber of Commerce who deplored Fijians' 'laziness' while complaining of

unfair competition from Fijian vessels which were not subject to licensing fees and masters' requirements. But Colonial Secretary Thurston would not recommend shackling of Fijians whose socio-economic activities posed no threat to the integrity of village society (CSO 1036/1883).

Neither did these Fijians confine their enthusiasm for the new to sailing ships. In Lau in the late 1870s, copra generated an after-tax cash income per head of the 7100 population of about £1, and permitted an early extension of import expenditure from drapery and hardware to bread, tea, coffee, sugar, soap, and preserved meats and fish. Expenditure on these trade goods probably approached 14s per capita, with the remaining cash going on boats and church collections (Knapman 1976b:176). The largest trade accounts were the accounts of chiefs; and it was only when the latter got into debt that merchants could hope to dictate to, rather than wholly depend on, the chief and the village manpower he controlled. Indeed, in the few early cases of suspension or of punishment of a chief for undue exercise of authority, Thurston contended that 'it has invariably proved that a trader (the chief's creditor) was the prime mover in the wrong-doing' (*Journal of the Legislative Council* 1886). Commoner Fijians, too, desired goods of utilitarian and mere curiosity value, though consumption remained largely discretionary and therefore especially sensitive to terms of trade changes. A trader on Moala complained in 1881 that 'if copra should go up at all I would be able to secure a good quantity but at the present price the natives will not continue to make it' (Hennings Papers). Fijians also were not slow to discern price differences between competing traders and to shift their business accordingly (Knapman 1976b:177).

This is not to suggest the emergence of economic man in late nineteenth-century Lau. Chiefs determined production directly or indirectly through village headmen; they regulated it through restrictions on harvesting of crops and killing of pigs; and they commanded manpower. The Fijian today says of the chiefs that 'In olden times they had no land. They did not need it because they had people' (Knapman and Walter 1980:205). Individual effort was always part of, and identified with, corporate group production at the familial, clan, village and federation levels. Production had a redistributive orientation, and trade accordingly adhered to the principle of a gift economy, that it is better to give than receive:

Kerekere ... and other kindred transactions obliterate the material inequality among households and regions by transforming it into social inequality, thus promoting the general economic welfare even as they structure society itself (Sahlins 1962:146).

Import goods simply were presented for accumulation and re-distribution alongside traditional goods; and like the individual

consumption of preserved meats, biscuits, bread, tea and sugar, they appear to have been largely supplementary to subsistence production (Thomson 1908:338).

What, then, was the degree of general Fijian involvement in monetary activity after 25 years of moderate growth in Fijian cash crop production, consisting mainly of growth in sugar cane production at 40 per cent of the colony growth rate, and of growth in copra output at a rate equalling the colony rate? Table 3.3 presents some estimates of money flows in 1901 prepared by the Acting Colonial Secretary which suggest that the before-tax per capita cash income of 94,397 Fijians was £1 5s 8d. Seventy per cent of this income came from cash crop production for export. Of the 17.9 per cent of the income from wages, about two-thirds was money paid to short-term contract labour, and about one-third

Table 3.3 Money flows in the indigenous economy, 1901

	£	% of total
Income		
Export income	85,196	70.3
Wages	21,664	17.9
Rent	7,700	6.4
Miscellaneous ^a	6,673	5.5
	<u>121,233</u>	<u>100.1</u>
Expenditure		
Direct tax	19,240	15.9
Church contributions	5,000	4.1
Boats	1,100	0.9
Church buildings	3,900	3.2
Imported consumption goods ^b	91,993	75.9
	<u>121,233</u>	<u>100.0</u>

^aIncludes £4500 designated as 'Moneys paid to natives not under contract &c. &c.', presumably a catch-all for income of permanent wage employees and of those illegally absent from villages; £1000 in 'Native Market Receipts'; £825 in freight earnings; and £348 in land sale proceeds.

^bDrapery imports accounted for an estimated 60 per cent, meats for 15 per cent, biscuits for 8 per cent, and hardware, crockery, tea, sugar, salt, soap, kerosene etc. for 17 per cent. The indirect tax paid by Fijians on these goods was estimated at £12,127.

Source: W.L. Allardyce, 'Memorandum on the Native Taxation System', 6 Dec. 1902, encl. Jackson to Colonial Office, despatch no. 38, 23 April, 1903, C083/76.

was government wage payments. Outside of the Fijian Administration, therefore, there was virtually no permanent wage employment. Little income was received from land leases, of which only 100 covering 13,000 acres were issued between 1875 and 1895 (Bissett 1935:43). Close to 16 per cent of Fijians' cash income went directly to government through the tax-in-kind system. But Fijians also made a significant contribution to indirect taxes, since their after-tax income was spent on imported goods, predominantly drapery. The £12,127 estimated to have been paid in import duties by Fijians in 1901 was 18 per cent of total revenue from import duties that year (*Fiji Blue Book*). On a per capita basis, it was 2s 7d. With the direct tax of 4s per capita added, Fijians paid taxes considerably in excess of the cost of running the Fijian Administration. Thurston, governor from 1888 to 1897, admitted that in the form of direct taxes alone, the Fijian paid more than the 'cost of governing him' (*Journal of the Legislative Council* 1886). To Thurston, this was evidence of the success of the tax-in-kind system. To his successors, however, it provided further proof that the system and the chiefs who acted as government tax expropriators were oppressive.

Socio-economic change, 1900-39. Governor O'Brien (1897-1901) defined Fijian political autonomy as 'the governing of the natives through the Chiefs and for the Chiefs' — chiefs whose imposition of what Governor im Thurn (1904-10) called 'iron customs' allegedly prevented Fijians' adaptation to the modern competitive world (*Fiji, Correspondence* 1904). All Fiji's governors between 1897 and 1942 shared these beliefs, and proffered a vision of an alternative yeoman society in which Fijians would be

hardworking, individually self-sufficient, thrifty farmers and artisans, loyal to their social superiors and devoted to their families in the privacy of picturesque, clean little cottages — with separate bedrooms (Macnaught 1982:15).

The large-scale, not to say deft, social engineering required to produce such a transformation of tribal society proved beyond the resources of twentieth-century colonial governments. Governor Des Voeux (1880-85) had, after all, observed:

The chiefs represent the army and navy, and practically the police of the country. The maintenance of their influence is therefore necessary even on these somewhat selfish grounds alone (*Fiji Royal Gazette* 1884: vol 10).

Yet despite the contradiction between the long-term policy objective and financial expediency, the rhetoric of capitalist democracy driving out chiefly dynasticism and of cash driving out custom was omnipresent in the period 1900-40. And colonial government could still tinker with Fijian society in ways expected to push it in the right direction, that is, towards completely individualistic involvement in monetary activity for personal acquisition.

Fijian self-rule was attacked by the appointment of European Provincial Inspectors, then Assistant Native Commissioners, and finally Provincial Commissioners; and by the effective abolition between 1915 and 1926 of the separate Fijian Administration (Macnaught 1982). *Roko* complained that 'new white men without knowledge have taken charge of our affairs' (Scarr 1984:110), but these men remained, their power discomfiting and prevailing over that of the *Roko* in matters of colonial administration. Particularly important in the latter respect was the way European officials could dismiss *Buli* without reference to *Roko*. Originally the recognized chiefs of the *vanua*, corresponding with the *tikina* they governed as 'official' chiefs, *Buli* at the end of the period 1900-40 were official chiefs who frequently lacked an adequate traditional rationale. If Ratu Sukuna's strict assessment is acceptable, less than 20 per cent of the *Buli* in 1945 could legitimately claim the honorific title, *Ratu* (Scarr 1980b:145). Dual leadership therefore developed in what Macnaught (1982:5) calls 'the strongest unit of local government', increasing the number of chiefs in it and consequently the demands on its resources. Not only chiefs by birth could conscript goods and services from the people, but also chiefs by administrative appointment, the *Buli*, were permitted official *lala*. It was a perverse result, considering that government had aimed at freeing the Fijian commoner from the steel grip of chiefs.

The fact was that the chiefs by and large remained as they had been described at the 1880 Council of Chiefs meeting (NAF) — 'the strength and voice of the land'. Ceremonial was, in Hocart's (1952:6) estimation, the strongest emotional interest of Fijians, and the chief stood at its centre: 'If reverence and devotion are required, as well as a belief in the supernatural, to make up religion, then the true religion of the Fijians is the service of the chief'. Yet colonial government struck at the Fijian economic independence which was the foundation of ceremonial by allowing alienation of land from 1905 and by seeking to restrict the kindred transactions which constituted the redistributive system. The former policy was reversed in 1909; but the latter persisted. Inter-provincial exchanges were banned or regulated, and inter-island exchanges within provinces prohibited. In southern Lau, this severely restricted the opportunities for producers of craft goods on limestone islands to obtain food supplies through trade with the volcanic islands, and forced greater reliance on cash-purchased food imports in islands conspicuous for their resource scarcity (Thompson 1949:262-3). Bans could not always be implemented effectively though, and government interference either did not extend to district and village redistributive systems, or was neatly circumvented if it did: a European-initiated discussion of the dangers of *kerekere* ('requesting' goods from friends or relatives) led the Tailevu Provincial Council meeting in April 1899 to pass a motion that in future it be banned (Tailevu PCR 1899, NAF) — but only in so far as it involved European goods. The economic foundation of

the hierarchical Fijian social structure consequently remained largely undisturbed, and continued to encompass monetary activity, as in Rewa and Tailevu, where tax refunds habitually were earmarked for feast expenses (Macnaught 1982:40; Tailevu PCR 1900, NAF).

It was at the interface of the indigenous and colonial economies that twentieth-century colonial government was to produce an obvious and permanent economic change, because for once its aim was consistent with Fijian preferences. Pressures on the tax-in-kind system had been building in the late nineteenth century as a result of operational problems and considerable inter-provincial differences in the work effort required to raise tax produce. Fijians complained that the tax refund was a year or more in coming and was subject to the appropriations of Fijian Administration officials (Joyce 1971:63; CSO 607/1892). There were also grumbings about the heavier incidence of the tax in kind as population declined and assessments remained unchanged. But the effective complaints about the oppressiveness of the tax came from the districts where government had identified sugar as the appropriate export good. Cane was a technologically alien crop, especially labour-intensive when grown in two-acre fields without the assistance of horsepower; and from the outset Fijians had to be cajoled into growing it by reluctant *Buli*, supervised in turn by European tax inspectors who on occasion usurped the role of chief to see that cane was indeed grown (CSO 2936/1880, 1731/1891, 675/1892). That the labour effort required to raise tax cane was considerably greater than that required to raise other tax produce was admitted by European tax inspectors (see Table 3.3): 34 per cent of Fijian taxpayers paid their tax in cane and earned an equal refund by working thirty days per annum; 40 per cent of taxpayers paid a higher tax in copra – equal to 53 per cent of the total direct tax – and earned an equal refund by working six days per annum; while Fijians paying tax in maize, *yaqona* (*kava*) and tobacco worked fourteen to twenty days. Further, in Naitasiri, Ra, Namosi, Serua and Tailevu South provinces, distances of ten to twenty miles had to be travelled to cane fields, temporary houses and food gardens being established once the distance exceeded three miles. European inspectors like W.L. Allardyce consequently found themselves driving Fijians to the fields, only to meet with resistance on arrival:

They [the Namosi people] were a most unreasonable, uncouth, and untractable lot, they smashed the trucks and they bent the tramline, they skulked, they practised every known native wile and a good many others which they had learnt from the European, but I was quite as determined that they should produce cane as they were determined to make the attempt a failure (CSO 3825/1896).

The battle was constant, additionally fuelled by clashes between yam and cane planting and, more importantly, by the increasing

difficulty of gaining ready access to cane land. On the Rewa, eight of the fifteen designated cane-growing districts owned all the land suitable for cane cultivation. The other seven districts, unable to produce alternative export crops, had to rent from the owning districts; and as free Indian settlement grew, they were forced to pay actual rentals up to seven times the level of the theoretical government-imposed ceiling (Tailevu PCR 1899, 1902, NAF). Here, and in Lau, some landless groups found it necessary to buy requisite tax produce with the proceeds of wage labouring or food sales (CSO 3930/1892; Macnaught 1982:26).

These were the pressures leading to a request by the 1902 Council of Chiefs that payment of taxes in kind be optional — a request which fell on the receptive ears of Governor Jackson (1902-04), who informed the Colonial Office in 1903 (C083/76) that the tax-in-kind system was, 'under proper conditions, the easiest to the Native and best suited to the Communal System', but who thought Fijians were overassessed, particularly in the sugar districts, and were therefore too long under the heels of chiefly tax expropriators. If released from onerous tax obligations, Jackson reasoned, Fijians would have the time to develop as individuals. Edward Knox, General Manager of the Colonial Sugar Refining Company, disagreed, favouring payment of taxes in kind 'because this makes the Fijian do some work and retains the tribal control' (CSR 2934). The vested interest of CSR in continued cane supplies from Fijians was clear, but the supplies were too insignificant a proportion of the total crush to warrant active lobbying of government; and with the Secretary of State's approval, Jackson reduced the tax burden and acceded to the chiefs' request on condition that applications for tax payments in cash be considered on their merits. Since Fijians proved adept at arguing their case, this meant the effective abandonment of a colonial taxation policy aimed at maintaining village social cohesion in favour of a policy giving freer play to economic forces. At Provincial Councils around the country Fijians claimed that 'the result [from tax gardens] does not pay for the trouble and time expended' (Tailevu PCR 1904, NAF); and one by one, villages were granted permission to pay taxes in cash. By the end of 1906, not one of the forty-one villages in Tailevu South was still paying tax-in-kind (Tailevu PCR 1906, NAF). The same was true in Macuata, Namosi, Serua, the Colo provinces and, from 1907, in Lau (*Reports of Native Lands Commission*; Lau PCR 1907, NAF). After 1912, law legitimated actual practice throughout the colony by making cash payment of tax obligatory (Macnaught 1982:27).

The sharp drop in Fijian direct taxes when assessments were reduced, the subsequent stagnation in tax contributions, the end of tax refunds — all these colonial government had promoted and expected. Similarly, the cessation of Fijian cane cultivation surprised no one: indicating the general trend, output on the Rewa fell from the 1890s level of about 10,000 tons annually to an estimated 4400 tons in 1904, and no cane supply was expected from Fijians on the river in 1906 (CSR 2260). The shock to an artless

government came when Fijians did not automatically and rapidly blossom into economic men of yeoman mould. It turned out instead that Thurston's presumption was correct. Abandonment of the tax-in-kind system permitted and encouraged the growth of 'bands of migratory helots' (CSO 135/1880), especially where lack of a convenient cash crop and proximity to urban areas made migration attractive anyway.

In Tailevu South, the *Bulis*' perennial complaint at Provincial Council meetings after 1902 was of young men's semi-permanent absence from the province. The law requiring Fijians not to be away from their villages for more than sixty days could be skirted by return on the fifty-ninth day and disappearance on the sixty-first. Absentees frequently met their tax and other immediate cash needs by labouring on a European plantation and engineering dismissal when sufficient cash was accumulated. They turned up in town, their cash spent on collars, ties and walking sticks in emulation of some provincial chiefs, ready to impress the ladies at the Suva Methodist Jubilee Church. In the Provincial Commissioner's view, there were two 'loafers' for every gainfully employed Tailevu man in Suva; so it was not long before the money available in their pockets and from the pockets of employed kindred ran out. They then retreated to the village for food and shelter, having contributed nothing to food production and house-building, and bringing no money with which to pay provincial rates or to placate the older, harder-working resident villagers, whose cash for taxes, boats, church, ceremonial, education and personal consumption came from their own cash-cropping or local wage-labouring, if they were not in receipt of rent (Tailevu PCR 1908, 1909, NAF).

Tailevu's European Commissioner was stunned to find the absentees 'not actuated by any desire to individualise themselves and better their position' (Tailevu PCR 1909, NAF). But when resident villagers suggested at the 1910 Tailevu Provincial Council meeting that at least absentees should be compelled to pay cash in lieu of services to chiefs, they met with the response that such compulsion 'would retard the process of individualisation' (CSO 1242/1910). That mindless incantation became a stock reply to all future attempts to restrict labouring away from villages for long periods, despite the latter's deleterious effects on village economy and society, the most obvious of which was the deterioration of housing:

The small iron-roofed houses are a poor substitute for the artistic thatched house, but it is becoming increasingly difficult for the people to get these built, and there seems to be no alternative but to encourage the iron roof (Tailevu PCR 1926, NAF).

Government already had provided such encouragement in 1912 by removing the remaining constraints on villagers' mobility throughout the colony: male absenteeism was no longer an offence;

Fijians no longer required *Bulis'* permission to sign a labouring contract; and employers were no longer obliged to return labourers to their villages on expiry of contract (Macnaught 1982:91).

The financial expedient of indirect rule compelled government to support village work programs and chiefs' rights to personal *lala*. But in the interests of creeping individualism it clearly had created a legal framework conducive to the erosion of village society. The ambivalence towards chiefs was similarly evident in government's response to a major threat to the neotraditional village order which came from within — a response moreover which laid bare the real nature of the colonial conception of Fijian development.

In 1913, Apolosi R. Nawai, a mission-educated commoner from Ra working as a carpenter in Rewa and Tailevu, began championing his view of the commoners' cause, urging them to occupy the centre of the colonial economy as cultivators and merchants ruling their own lives, instead of dwelling on its fringes as idle landlords and wage-labourers subservient to chiefs and whites. He established the Viti Company as the means to capture the import-export trade from European merchants and, wisely obtaining the patronage of some chiefs disaffected with colonial government because they either had not found or had lost government employment, drew colony-wide support. Hundreds of Fijians sold bananas to the Company at half the market price; and even let them rot when the Company ran into difficulties, rather than sell them to European middlemen. Thousands of Fijians rallied to support a platform of Viti Company stores in every village, provincial shipbuilding yards, and Company schools. It was the kind of individual enterprise colonial officials said they longed for. And for a short time government allowed the prospect of a chiefless, business-oriented Fijian society to override its concern with Apolosi's commitment to independent development. But political independence from chiefs and white rulers was anathema to the strained ruling alliance; and economic independence was anathema to white planters and merchants who resented Fijian business rivalry. The Methodist Mission also came out in opposition to Apolosi, for he captured Fijians' souls *and* their church donations. So Apolosi was exiled — from May 1915 to September 1916, again (on trumped-up charges) from 1917 to 1924, again from 1930 to 1940, and finally from 1940 to 1946, the year of his death. In his absence, Fijian proto-nationalism faded into parochial politics, and Fijian economic independence remained that of the subsistence economy (Alexander 1927; Couper 1968; Macnaught 1982:75-92).

Cash-cropping continued to provide a small supplementary output to meet taxes, ceremonial needs and personal expenditure. In the copra districts, a price improvement between 1906 and 1915 seemed to be absorbed by the European merchants who controlled processing, marketing and transport (Table 2.1; Lau PCR 1906),

so that Fijians were discouraged from rapidly extending monetary activity until the postwar commodity price boom, when copra prices peaked at £35 per ton and stayed well above the 1876-1906 average (Table 2.1). The Fijian output response was marked and reasonably well sustained as improved terms of trade stimulated greatly increased cash consumption. 'Everyone strove to buy as much as possible from the store, and the number of imported articles which a group possessed was limited only by its ability to pay the price in copra' (Thompson 1972:92). Some boat-owners cleared their debts and began transporting their own produce, inducing further improvement in the terms of trade. Often, business was combined with pleasure, as *Ratu Sukuna* observed: 'It was no uncommon sight to see two or three cutters in Levuka full of Lauans on holiday to the old capital, and all with money' (Scarr 1980b:101). And there were signs that provision was being made for future consumption as previously hand-to-mouth monetary activity was extended: Fijians' total deposits at the Lomaloma branch of the Government Savings Bank increased from £19 in 1917 to £1200 in 1928 (*Journal of the Legislative Council* 1917, 1928). None of this constituted a threat to the socio-economic structure of a land surplus tribal economy in which cash could be earned by simply harvesting, and extending the planting of, a familiar food crop.

In contrast, where Fijians could not cut copra, increased monetary activity was commonly synonymous with increased absenteeism, typically involving labouring on six or twelve month contracts. Before 1921, only 6 per cent or so of the Fijian population was recorded as living outside of villages, females mostly in domestic service, and males mostly in contract wage employment or attending school (Boyd 1911; Boyd and Stewart 1922; Burrows 1936). In the 1920s, however, demand for Fijian labour increased in the wake of the 1920 cancellation of Indian indentures. As early as 1923, an estimated 3000 men (15 per cent of taxpayers) had been absent from villages for over twelve months. Women left too, frequently becoming the concubines of Chinese and Europeans (Macnaught 1982:104). Village obligations were evaded, with a consequent reduction in the level of subsistence affluence, since subsistence production per resident worker had to increase as the dependency ratio (consumers/workers) increased. There was no flow of cash into the village in partial compensation.

For the first time in the history of Fiji there were reports of food shortages in good years, while the village entered upon a steady physical decline from the settlements of substantial, high-built heavily thatched houses of old Fiji towards the uninsulated, ill-drained ovens of wood and iron that later decades accepted as normal. By 1927 ... the Secretary for Native Affairs, noting that the government considered 'a supply of labour for agricultural purposes was of greater importance than the welfare of the natives themselves', expressed his fear that the Fijian Administration would collapse (Macnaught 1982:102-3).

Impetus to absenteeism and consequent erosion of village society was given in the early thirties by the growth of gold mining and an expanded public works program. By 1936 some 16,729 Fijians out of a total population of 97,651 — 17 per cent — had 'in one way or another broken away from village life either temporarily or permanently' (Burrows 1936), largely in order to take up wage employment. Notably, Tailevu contributed far more wage employees than its share of the total labour force alone would have suggested (Ward 1965:105-7). There, as elsewhere, the Fijian yeoman farmer had not materialized, despite provision from 1927 for Fijians to obtain exemption from communal services in order to become commercial agriculturists, a measure which, in the words of the Colonial Secretary, was intended to extend 'communal society ... from the village green to the rural area' (CSO F2/132). As agriculturists, Fijians remained firmly village-based, with copra cutting the major form of monetary activity.

The Great Depression had forced a partial retreat from cash-cropping in eastern Fiji. The export price of copra fell from £20 per ton in 1928 to a low of £5 in 1934 and, aside from a slight recovery in 1936-37, stayed low for the rest of the decade (*Fiji Blue Books*). Lauans devoted limited cash income to completion of a Methodist centenary church on Lakeba, and to purchase of some goods no longer considered luxuries:

a few trade articles such as bush knives, metal axes, trade cloth, soap, and cooking pots, have so far proved indispensable, and in 1934 enough copra was produced to exchange for these bare necessities (Thompson 1972:93).

Tax payments evidently were regarded as a luxury, not only by absentee wage-earners, but also by cash-croppers. Despite a reduction in assessments, there were shortfalls in collected taxes, which were lower in 1938-39 than they had been in 1876 (*Fiji Blue Books*). Ratu Sukuna, District Commissioner of Lau, reintroduced tax-in-kind assessments of villages in Lau and Lomaiviti during 1934; and, by marketing in Suva, he doubled the price previously received for copra. The latter and communal copra cutting greatly reduced Lau's outstanding tax obligations, to the surprise of colonial officials whose attention was at last drawn to the terms of trade as a major determinant of the extent of monetary activity. But Sukuna's scheme for bypassing the merchant companies which manipulated those terms nevertheless was rejected as involving unnecessary interference with individuals' rights — a happy coincidence of government ideology and sound business practice as far as Burns Philp company management was concerned. From 1938, government unsuccessfully reverted to taxation in cash of reduced money incomes (Macnaught 1982:136-7; Lau PCR 1934-7, CSO F2/175).

Even in depression, however, the Fijian population's cash income was higher than it had been at the turn of the century.

The estimated average cash income per head in 1936 was £4 15s 6d (Table 3.4), an income over three times as high in real terms as the 1901 cash income per capita of £1 5s 8d (Table 3.3), using Lewis's (1969) world manufactures price index as a deflator. Most striking is the fact that, between 1901 and 1936, total wages received by Fijians increased twelvefold, whereas their total cash income increased less than fourfold. These wages were concentrated in the hands of around 7200 Fijians whose absence had the above-mentioned distinctive impact on their home villages. Yet it should not be inferred that nothing of significance had changed where little wage employment was undertaken. True, eight out of ten Fijians still lived in villages. Fijians *were* on the fringes of the fully monetized colonial economy. But 1936 incomes from export copra and rent were well up on 1901, roughly £2 15s per capita being received in the copra districts; and, most important, the standard against which Fijians measured their satisfaction had shifted upwards. In Lau, provincial officials observed a changed 'emotional attitude to the economy of daily life':

Table 3.4 Money income in the indigenous economy, 1936

	Official est. £	Writer's est. £	% of total
Copra sales ^a	243,800	109,867	23.6
Sugar cane sales	27,017	27,017	5.8
Banana sales	23,820	23,820	5.1
Total export income	294,637	160,704	34.5
Wages ^b	-	262,080	56.2
Rent	43,650	43,650	9.4
Total cash income	338,287	466,434	100.1

^aFijians produced about 60 per cent of copra export volume (CSO F2/179). The official estimate seems to have multiplied estimated Fijian output by the f.o.b. export price. But the 40,000 Fijians in copra districts received closer to half the f.o.b. price. The writer's estimate is therefore derived by multiplying 60 per cent of 1936 copra export tonnage by half the recorded f.o.b. price (*Fiji Blue Book*).

^bCalculated on the assumption that the 7200 people listed in occupations in the 1936 census earned the minimum wage for unskilled labour of 2s a day. Since the wage rate for unskilled labour actually ranged up to 4s 8d a day, and was much higher for skilled labour (*Fiji Blue Book*), and since more than 7200 probably earned wages, the figure in the table is a most conservative estimate. Taking the mean of the common Fijian wage rate range of 14-25s per week, the estimate of wages income in 1936 would become £365,040, assuming the workforce was 7200.

Source: Official estimates are recorded in Coulter (1940:33-4).

En passant it is interesting to note, for it has its dash of humour and its touch of pathos as well as its economic significance, how world depression is revealing the rapid changes in native material values, his increasing dependence on imports for new found necessities, his eagerness for advice as to how these wants may be satisfied. The year that has elapsed since the last meeting has been prolific in native crops, with bananas going to waste, fish and turtle plentiful, good rains, no storms or hurricanes — all the conditions, in fact, that only twenty or thirty years ago would have made the period a remarkable one. The attitude now is the reverse (Lau PCR 1932).

And the attitude was colony-wide:

although the Fijian can still live without much fear of starvation, he is perennially money-poor. This would not matter if he still lived in his primitive fashion, but his contact with European civilization has naturally developed in him tastes which can be satisfied only by the use of money (Mann 1935:11).

Involvement in monetary activity, and specifically cash-cropping, may have begun in order that Fijians could 'tickle their palates with new foods and their vanities with printed calico' (Quain 1948:1). On the eve of World War II it was quite essential.

Conclusion

Observers of Fijian society over the last century have argued that the Fijian has been enclosed within a 'ring fence' (Thomson 1908:65), that in consequence he/she has been preserved as 'a living specimen in an anthropological museum' (Mann 1935:10), with neither the discipline of the slave nor the energy of the free (Spate 1959:23). The creator and curator of the museum was, in this view, the first colonial government:

The neo-traditional Fijian way of life embodied in a separate Fijian administration and regulations, and the restrictions on the engagement of Fijian labour and the alienation of Fijian-owned land, removed any incentive for the Fijians to move towards economic individualism and adaptation to the competitive modern world (Gillion 1977:2).

The implication is that the Fijian was trapped, fossil-like in an undeveloped primitive economy. The historical counterfactual proposition is that he would have been released had he been allowed to alienate land and then work it for the white man.

The mere statement of the counterfactual demonstrates the weakness of the argument. It is based on the ethnocentric and

untenable premise that a culture of individualism is a necessary and sufficient condition for development to occur; and offers an evolutionary guess in place of an examination of the real world. Development, as aim and process, does not have to mean the transformation of self-sufficient tribesmen into wage-labourers. Nor does the absence of such transformation imply tribesmen were frozen in neolithic form. The model of the tribal economy presented at the beginning of this chapter charted other possibilities, the actuality of which was established by the following examination of the facts of change.

Between 1874 and 1939 there was a growth of a partial and selective Fijian involvement in monetary activity. Fijians built on traditional agriculture to meet new cash demands without rending the fabric of tribal social relations. In this way they were assisted by nineteenth-century colonial administrators who appreciated the need for government to surround the indigenous economy with policies designed to support, not corrupt, social cohesion. Some groups, less favoured by resource endowment and/or undemanding cash crops, needed a greater degree of force to ensure cultural cohesion than did others. And these groups proletarianized first and faster when twentieth-century colonial administrators changed the normative constraints of indigenous economy to permit individuals' pursuit of economic ends contradictory to village socio-economic goals. Particularly from 1920 on, a significant number of Fijians became wage-labourers and put their home villages at risk of social disorganization.

The growth in Fijian wage employment, and the acquisition of new consumption habits, were portentous changes. In the context of population growth, new cash demands would prove a relentless foe of Fijian subsistence affluence in the future (Knapman and Walter 1980). But the fact remained that the vast majority of Fijians still lived in villages, growing their own food, producing in excess of household needs to meet the demand for a ceremonial surplus, and incorporating some cash-purchased imports into diet, technology and ceremonial. Socio-economic activities and authority structures in the village were therefore preserved. They defined a distinctively Fijian domain which was more than just a traditional left-over of the precolonial period, and which guaranteed continuity with the past and confidence in the future — even though that future included continued foreign economic dominion.

Chapter 4

The demise of the white sugar planter

From early in the colonial period, capitalism in Fiji was conspicuously corporate. CSR dominated, and by 1926 monopolized, production of the colony's major export — raw sugar. However, the company did not begin operations in 1880 with the intention of growing much sugar cane. CSR policy, reaffirmed early in the twentieth century, was to buy from individual European planters employing indentured Indian labour. The economic rationale was that cane was acquired without capital outlay on risky cultivation. The related political rationale was that white sugar settlers were useful front-line allies in any battles against unwanted government intervention in the sugar industry (Moynagh 1981:41-2). Fiji's sugar export growth, then, was to be accomplished through the harnessing of settler to corporate capital. Chapter 2 documented and analysed the actual growth and the role of corporate capital in it. This chapter provides a descriptive account of the sugar planters' involvement in export growth, their fortunes, and their demise in the 1920s when corporate capital, true to its profit ethic, turned from white settlers as readily as once it had retained them.

Prelude

In the aftermath of the early 1870s cotton collapse, Europeans on about 600 plantations searched for a new cash crop that would reduce their indebtedness. Some were fortunate enough to claim land partially planted to coconuts by the original Fijian owners, so that a little cash income could be generated from cutting copra while new plantings matured. Planters in Fiji's alluvial river valleys had no such option, for the land was unsuited to coconut palms. Coffee took several years to mature, and in any case was quickly eliminated as an alternative in planters' minds by leaf disease (CSO 1600/1891). Maize could be grown in some areas; but the general preference was for sugar cane, of which there was an indigenous variety. By 1879, eighteen out of an 1870 total of thirty Rewa River plantations were under cane cultivation, accounting for 69 per cent of the 1800 acres planted throughout the colony (Britton 1870: *Fiji Blue Book*). Even with such a small area planted, there was a marketing

problem: the two existing Rewa mills could crush no more than 50 per cent of the potential harvest, and that inefficiently (CSO 1048/1877, 1165/1878, 1550/1879, 1354/1880). This was a shortlived difficulty, however. In 1880, CSR decided to erect a mill that would treble milling capacity on the Rewa — on the understanding that two leading landholders would keep 1000 acres of their personal estates under cane for ten years, and that all planters would accept a price for their cane fixed at 10s per ton for twelve years (Moynagh 1981:24, 43).

Planter acceptance of what they regarded as an inadequate cane price was a measure of their desperation. A CSR-induced revival of the Rewa River economy might at least permit quick sales of freehold land, capital gains sufficient to cancel debts, and rapid departures from Fiji, leaving new owners to live with 10s per ton (Maudslay 1930:133). And indeed there was a speculative surge of activity in response to news of CSR's investment decision. Stores, hotels, butchers and bakers appeared in the Rewa delta. A newly-formed Plantation and Agricultural Society called for government financial assistance with bridge-building — in the event, unsuccessfully. New towns were planned, with town blocks selling for up to £50 per acre, while the asking price for plantation land soared (CSO 213/1881, 1322/1881; *Fiji Times*, 18 Dec. 1880).

Yet because of a lack of demand at going prices, only a few planters left Fiji with money from plantation sales. One was Edward Reece, who sold 1600 acres of his Naitasiri plantation to CSR in 1881 for £10 per acre of flat land. Significantly though, the sale was part of an unplanned and undesired expansion of company landholdings beyond the 928 acres acquired for £2 per acre in 1880. Three planters had tried to renege on their cane contracts, which guaranteed supply of a fixed tonnage to the CSR mill. More important, there was an overall shortfall in the 1881 cane plantings promised by planters, precisely because they lacked the capital to acquire available Indian labourers. E.W. Knox, CSR's general manager, perhaps exaggerated when he told the prolific letter-writer and sometime planter, W. Fillingham Parr, that had he foreseen the difficulties over cane supply, a mill would not have been built; but he observed privately that CSR now needed more land on the Rewa to secure its investment, which by the time of the first crush in 1882 had reached £150,000. This did not mean wholesale purchase of freehold land on offer. Until a return on invested capital was certain, Knox was unwilling to buy land at the £15 per acre asking price of the man owning more land than anyone else on the river — C.L. Sahl. Instead, CSR leased 860 acres from Sahl and, overcoming the reluctance of acting governor Thurston — who complained that CSR seemed to want the whole Rewa district — secured a lease of 800 acres of Fijian land at Navuso. Adding only one desirable 192-acre plantation to its freeholdings at a price of £11 per acre, the company could then cultivate 3500 acres on its own account (CSO 1754/1883; MS 142, NAF; CSR 2187).

Concomitantly, CSR was compelled into prominence as a financial intermediary by the need to ensure its cane supply from individual planters. The company lent at 8 per cent against property mortgages, and advanced £2 per acre for four-month-old cane and a further £2 for nine-month-old cane at the rate of 6 per cent on the security of the crops. The outstanding mortgagor was Sahl, who early in 1882 borrowed £25,000 for five years, renewable for a further five, at 7 per cent against property on the Rewa and Sigatoka rivers. But his was the planter's position writ large. By April 1882, before the first crush, CSR had secured by mortgage eight Rewa plantations covering 2000 acres, and held crop liens over most others. Six months later, it added J.C. Smith's 1300-acre plantation to its list of mortgaged properties; and in March 1883 it purchased a 500-acre freehold (CSR 2187-8, 2194; MS 142, NAF; CSO 637/1890).

At the beginning of the age of export growth, therefore, CSR as sugar grower owned or leased 4000 acres in the Rewa River valley; and as moneylender held mortgages over 3300. The latter, and crop liens, bound planters in a structure of forced growing out of which they could escape only if fortunate enough either to find a buyer for their land, or to make a financial success of its cultivation.

Death of a pioneer generation: the 1880s depression

From the outset, domestic and international factors worked against plantation profitability. Cane yields below expectations, a low sugar content in cane, leaf mould disease, and high cultivation and transport costs attributable in part to weed growth – all resulted from a Rewa rainfall in excess of 100 inches per annum. The cost of imported labour increased as competition from the Queensland sugar industry drove the money wage of Melanesian labour up to a level at which its total cost equalled that of more plentiful Indian labour. Further government restrictions on the mobility of Fijian labour were imposed in 1883. Nor did technological improvements in cultivation offset higher money wages: only one or two planters had previous experience of cane growing, making management in general and cultivation in particular less efficient than it might have been; and before 1890 CSR concentrated on improving milling efficiency rather than cultivation techniques. In any case, given the uniqueness of the ecological environment, innovation proffered no immediate panacea. The only change in cultivation practices which was made affected planters adversely, at least in the short term: in the interests of producing a sweeter cane CSR required a reduction in crops harvested from three every two years to one annually (CSR 2188; Thiele 1890-90:362; Des Voeux 1903:335; Moynagh 1981:44).

It soon became evident that an average cost of production in excess of the cane price threatened to undermine the Rewa

planter economy. Planters had contracted to sell cane at the flat rate of 10s per ton until 1892; and though CSR actually paid higher prices for most of the period 1882-90 (Moynagh 1981:43, 48), the sharp drop in the world sugar price prevented payment of the 15s per ton reasonably regarded by planters as the minimum necessary to ensure plantation profits. CSR's own unit cost of production averaged 14s 4d in 1888-90 (CSR 2188, 2193); and having written off £20,000 on plantation account in 1883, management was undertaking a holding operation on the Rewa as it made a more careful assessment of the climatic and economic factors relevant to expansion on the dry side of Viti Levu. The company successfully took two planters to court for breaking their contracts in 1884, ceased advances to some planters and, bailing others out with further advances, watched the debts accumulate as it held them to their contracts (CSR 2188, 2189).

Inevitably, exploitation of plantation labour intensified. There was always exploitation under the indenture system in the sense that indentured labour was paid less than the going free market wage (Thiele 1889-90:374; CSR 2189). But a falling sugar price and production costs in excess of the cane price were bound to increase its incidence, for labour costs were the most important cost item on sugar plantations, especially on the Rewa where there was one labourer for every 2.3 acres of cane land, compared with one for every 5 acres in Queensland (CSR 2206). Planters reduced the hourly money wage rate through redefining a 'task' to the point where nine hours had to be worked instead of the statutory six; and because inadequate staffing prevented detailed inspection by immigration officials, they got away with it. They also reduced real wages through charging exorbitant rates for rations they were obliged to provide during the first twelve months of a labourer's indenture: between 1887 and 1891, the adult ration, which cost the employer an average fourpence per working day and which could legally be priced at fivepence, was actually priced at nearly sixpence ha'penny, or 81 per cent of the adult male average earnings of eightpence per working day (Gillion 1962:105, 109; CSO 1329/1894).

It is not saying much to point out that Indian indentured labour was nevertheless materially better off than it had been in India. The more relevant observation is that wage rates below the statutory minimum of 1s per task did not necessarily make labour cheap. Death, absenteeism and labour inefficiency due to low living standards were quantitatively significant on the Rewa. The death rate amongst Melanesian labourers in the early 1880s was 32 per cent, reaching 56 per cent at Naitasiri plantation (CSO 2506/1882). Death and disease (particularly hookworm) amongst Indians were such serious problems that ultimately the Imperial government threatened cessation of immigration (Gillion 1962:92). But the immediate results were apparent in days actually worked by Indians under indenture. In 1888, an average one-quarter of the Rewa Sugar Company's workforce was

absent, sick or in gaol (CSO 873/1888). A similar proportion of CSR's workforce did not work in the years 1890-93. For the colony as a whole in 1890, labourers put in just over four days out of the five and a half day working week (CSO 1517/1892, 1329/1894). Not surprisingly, Knox had noted already that 'Altogether, the time seems to have come for us to do something more for the comfort and health of the coloured labour staff' (Gillion 1962:92).

There was no reversal of the low wages policy, however. Output per man would need to have doubled to leave unit costs unchanged after a doubling of money wages; and cane sugar's international competitiveness could be maintained only if wages in sugar colonies were sufficiently low to offset the advantage the continental beet sugar producer gained from heavy government subsidies and any productivity differential. Even then, profitability of Rewa plantations was not guaranteed: 'up to the end of 1885 there was not a planter on the river who could say that he realized a profit' (M.A.T.E. 1886). Only the date had to be altered when planters' supply contracts with CSR finally expired in 1892. The decline in the Rewa planter had been as rapid as the sugar price fall. European contractors supplied an estimated 82 per cent of the 1885 crush. In 1890, they supplied just 20 per cent and cultivated only 1400 acres to CSR's 3500 (CSR 2188, 2193). Parr's plantation had gone to the Australasian Mortgage and Agency Company in 1887, and CSR had ceased advances to Sahl in mid-1888, shortly afterwards acquiring two more plantations to bring its landholdings to 5000 acres. Many planters left Fiji. Those remaining on the river cultivated small areas of cane (around 80 acres), sublet to free Indians, and tried banana planting. The company, mortgage agencies and the banks now ran the thirteen larger estates employing indentured labour (CSR 2188-91; CSO 1192/1890, 3046/1893, 70/1894, 1329/1894, 3455/1895).

A new generation

Nevertheless, CSR retained a preference for drawing cane supplies from nominally independent planters. In effect, these planters could be friends at court who would help minimize, even eliminate, taxation. And if a loss were to be made from cane growing, better that it be made by someone else. Planters bore the risks of growing; they potentially reduced the miller's capital outlay; and, it was thought, they offered the simultaneous possibilities of cane cheaper to the miller and more profitable to the grower through reduced overheads and better labour relations (CSR 2193; Moynagh 1981:41-3, 58-64). CSR therefore offered 12s 6d per ton to those company employees, and respondents to pamphleteers extolling Fiji's virtues as an El Dorado, who were prepared to sign a five-year contract as tenants on company land, or as contractors on other land (CSO 1068/1892; CSR 2193). Initially, the response was limited. But in the 1890s CSR turned its attention to cultivation technology; and as the

yield-raising effects of horsepower, manuring, proper drainage and a new rain-tolerant cane variety (Malabar) became apparent, so the area cultivated by individual planters expanded. Of the 8000 acres under cane in 1898, just 2500 were cultivated by CSR (CSR 2193, 2207, 2211, 2215, 3511, 3524; Moynagh 1981:46, 49).

CSR regretted contracting to pay 12s 6d when the raw sugar price fell further and reduced net profit on capital employed in the early 1890s to around one per cent, causing Knox to remark that 'Our Rewa venture ... is, and has been, the worst investment we have made' (CSR 2209). Planters, though, could make a profit in years free of drought, flood or hurricane. Yields averaged 35 tons per acre on the Rewa in 1898, compared with 22 on CSR plantations in 1884, and permitted costs to fall as low as 9s 7d per ton on the Naitasiri plantation of ex-CSR overseer Peter Gordon (CSR 2211-12, 2188). Indeed, low cultivation costs on CSR plantations revitalized the company's hopes of making a grower's profit from its estates (CSR 2212-13). But wide year-to-year fluctuations in costs on the Rewa prompted a continuation of the leasing-out policy; and in any case, CSR's monopsony could be used to capture as much of the grower's profit as possible as grower's profit. The cane price was regulated by the company, and so too was the rent paid by tenants leasing CSR land — the extent of which had increased with the acquisition in 1899 of Sahl's and Smith's plantations, and of 1200 acres held by the Australasian Mortgage and Agency Company (CSR 2213). Accordingly, in 1902 CSR reduced the contract price to 10s per ton of cane with a pure obtainable sugar content (POCS) of 11 per cent. For each percentage point above 11, an additional 1s 3d was to be paid; and for each point below, 1s 8d was to be deducted. Ten shillings was the minimum Knox thought the average European planter could afford to accept and since the POCS of the dominant Malabar cane was usually closer to 10 per cent, this meant in practice a price closer to 8s 6d, the flat rate paid for Indian-grown cane. CSR executives therefore anticipated a large settlement of Indian growers; and to obtain both cheaper cane and relief from carrying an indentured labour force during the off-season, they encouraged Indian settlement by offering advances at 6 per cent, 4 per cent less than the going rate obtainable from merchants (CSR 2211-12, 2215, 2218, 2260-1).

But CSR did not intend to displace the white planter; and to Europeans with visions of planter prosperity, the Indian labourer was a cipher, and the emergent Indian cane grower a tolerable fringe operator — not a portent. CSR employees continued to take out leases in the belief that profits could be made. In 1904 European planters supplied 65 per cent of the record amount of cane crushed by Nausori mill, with Indian growers and CSR estates contributing 20 and 15 per cent, respectively (Gillion 1962:100; Moynagh 1981:50). The share was down slightly from 1898, yet confirmed the basic fact that after a serious decline in importance during the late 1880s, the

individual European sugar planter was restored as the major cane supplier on the Rewa. In this, the Rewa experience pointed to colony-wide developments.

As on the Rewa, Europeans had been confirmed in possession of much of the first class land in Fiji's dry zones (rainfall below 100 inches); and, again as on the Rewa, there was more interest in selling cane land than in cultivating it when CSR decided to erect mills at Rarawai (first crush 1886) and Labasa (first crush 1894). Confident of these areas' profitability after trial cane plantings, the company acquired 11,600 acres of freehold at Ba in 1883 and 1884, at the low price of £2 10s per acre. Reassured that sugar could be made 'very cheaply', it subsequently purchased and leased from Fijians and Europeans, and by 1906 held at least 18,000 acres of cane land to supply the Rarawai mill. Similar control over land use was achieved at Labasa, where in 1908 CSR held leases on 27,000 acres; and at Lautoka, where it held 16,000 acres to supply its largest Fiji mill, which began crushing in 1903 (CSR 2136, 2188-90, 2193, 3391, 3394, 4279-89, 4293-5, 4363; CSO 2113/1892).

In contrast to the situation on the Rewa at the turn of the twentieth century, CSR estates dominated cane production in northwestern Viti Levu and Vanua Levu. The latter areas already accounted for 68 per cent of the 25,000 acres under cane cultivation. Labasa mill drew all of its supplies from eight estates for some years before 1906; Rarawai mill drew about one-third of its crush from white planters on non-CSR land; and Lautoka mill drew about 20 per cent of its supplies from five planters, notably R.P. Carr & Co. and H.G. Carr and J.C. Doyle, who between them accounted for almost two-thirds of the independently cultivated area (CSR 2076, 2134-5, 2635, 2639; Brookfield 1974:130; Moynagh 1981:50).

The limited reliance on planter supplies did not last long, however. Subdivision and leasing of CSR estates at Rarawai, Lautoka and Labasa proceeded after 1905 for familiar reasons. Four dozen Australian overseers in their early twenties and anxious to make small fortunes were expected to get more out of 4000 Indian labourers on individual plantations than they had on estates; and the governor himself had informed local management that leasing of estates would help disarm criticism of CSR (CSR 2078, 2909, 3126, 3527; Moynagh 1981:51-2). This same governor was responsible for the shortlived opening of Fijian land to alienation (1905-8) and the extension of leases from twenty-one to ninety-nine years which produced, in France's (1969:156) words, 'a festive atmosphere among the white settlers'. The old hand and the ex-CSR employee on his leasehold both looked forward to 'a new era of prosperity ... ushered in on a substantial basis' (*Cyclopedia* 1907:25).

Judged by the rate of export growth, 1906-15 was the golden age anticipated by Fiji's white population, largely because of

a 7 per cent annual expansion in sugar export tonnage coupled with an annual 3 per cent price rise (Table 2.1). The extent of planter prosperity varied widely between regions and amongst individuals, however, and nowhere was it sustained.

The Rewa planters

On the Rewa, the output of twenty planters under contract to CSR barely registered an upward trend in the years 1906-15, and was characterized by year-to-year fluctuations as yields varied and natural disasters hit (CSR 2262-70). With the cane price stable until 1915, plantation profitability see-sawed correspondingly.

CSR's policy of adjusting price to the sugar content of cane encouraged planters to replace Malabar cane with the much sweeter Badila variety. While successful in the dry zones of Viti Levu and Vanua Levu, on the Rewa the switch generally failed. Badila proved intolerant of the heavy rainfall, was lower-yielding, and showed unpredictable variations in yield from one plantation to another, and from one year to the next (CSR 2270). Bad weather similarly cut into planters' returns. In 1901, flooding wiped out 40 per cent of Freeman's Baulevu crop. Even more serious was the hurricane early in 1910 which damaged CSR mills and equipment, and reduced the Rewa crop both quantitatively (from an expected 142,000 tons to 100,000) and qualitatively (the 1910 price being 9s 6d compared with the previous year's 10s 6d). In addition, buildings were damaged, proper preparation of land for planting prevented, and seed cane for the 1911 crop lost (CSR 2265).

1911 was an unusually dry year and saw only a limited recovery in cane output to 111,000 tons. Of eight white planters financed by CSR, five made losses averaging £722 (CSR 2266). Amongst the other planters, the less efficient managers were hardest hit. The most notorious example was Waring, one-time manager of CSR's Navuso estate and CSR tenant from 1904. He was in CSR's estimation a failure in both positions, a man whose general remedy for plantation mismanagement was heavy applications of artificial manure, and whose increasing indebtedness sat lightly on his shoulders. Until his takeover in 1912, he had drawn an annual pension of £121 and a living allowance as a tenant of £240, and lost no one else's money but CSR's - £9000 in all (CSR 2266, 3126). This indebtedness was exceptionally large, but through his managerial incompetence, Waring exaggerated a truth increasingly apparent to planters: unfavourable growing conditions threatened every plantation's productivity and through that, the CSR advances on which many depended. In mid-1910, CSR ceased advances to one planter who then had to abandon his plantation. Even the Gordon brothers, acknowledged as the most successful and experienced planters on the river after fifteen years in which they had cleared their debts as CSR tenants, had

been set back in 1910-11 (CSR 2265-6).

A record crop of 143,000 tons in 1912 was followed by a similar output in 1913, despite a March hurricane. Profitability was restored to most plantations, and with it the chance of reducing indebtedness. All but one plantation ended 1913 with a credit on the year's operations, though the credit was insufficient in one case to prevent CSR ceasing advances, and in another to reduce indebtedness to its 1909 level. Bad weather the following year was regarded as largely responsible for a reversal of this performance. Only two planters financed by CSR made a profit. One leasehold was transferred to the company, and one planter had to obtain additional finance from the Gordons (CSR 2267-9). In 1915, five of nine planters financed by CSR lost an average £480 each (CSR 2270), despite the fact that CSR now paid a 2s 6d per ton cane bonus, and gave planters up to 6d a week per man in order to assist with higher labour costs resulting from the war-time shortage of indentured labour and from increased food prices (Moynagh 1981:101-2; Gillion 1962:175). Again, low yields due to bad weather explained poor performance. The Rewa crop in 1915 had fallen to its 1911 level.

Contrary to their original expectations, then, many white sugar planters of the Rewa delta found increased indebtedness rather than a small fortune was the end result of years of rising at dawn in order to direct indentured labourers to the cane fields. H.T. Moltke's experience as a CSR tenant was typical. The assets of his plantation, and hence his initial indebtedness, were assessed at £3300 at the beginning of his tenancy in 1909. At the end of 1915, his debit balance was £6631: £1874 of the difference was interest, and £1434 represented excess of expenses over receipts (CSR 2270).

A few men of long experience in running particularly productive plantations *were* successful. During twenty-one years at Naitasiri, Peter Gordon had cleared his initial take-over debt, drawn at least the typical tenant's living allowance of around £250 a year, had trips to Europe with his brother, got married, and purchased property in Australia (CSR 2271, 3126). He, his brother, and R.J. Freeman, however, were conspicuous exceptions to the rule, and were examples of the successful planter reputedly found in greater numbers in Fiji's dry-zone sugar economy.

The dry-zone planters

No small fortunes were ever made in drought-prone, relatively low-yielding Vanua Levu, where the fourteen sugar planters were all ex-CSR employees who, despite knowing that CSR had found estate cane growing less profitable than anticipated, were attracted by a company policy of charging a rent on the typical

400-acre leasehold which theoretically left room to clear £500 annually (CSR 2076, 2909, 2932, 3391).

The original six tenants' first two years' results showed them growing cane at an average cost of 12s ½d per ton, and receiving 11s 11d (CSR 3391). Bad weather in 1911 prevented the rally the mill manager felt sure would eventually take place. And in 1912 a hurricane unroofed fourteen of the thirty-nine houses on Labasa's residential hill, damaged tramlines, ruined mangrove swamp reclamations, and caused a 10 per cent crop loss. CSR management complained of difficulty in persuading planters to follow recommended rotation practice and intensive cultivation, rather than hoping for a 'big year' from large tonnages on short-fallowed land. Yet CSR's overvaluation of leaseholds and the associated rents contributed to any tendency to mine the land. Tenants' plantations were given an average worth in excess of £4500 on takeover; and rent on E.P. Masters' plantation, which at best returned £4800 annually, was £1400, leaving £250 after working expenses were met. This meant Masters faced a minimum eighteen years of successful planting in order to clear his debt to CSR. The company accordingly revalued plantation assets and lowered rents at the end of 1912 (CSR 2078-9; Moynagh 1981:53). There was an overall improvement in the tenants' position in 1913, and again in 1915, after a poor 1914 season. Planters reduced debts on both occasions by an average £550. But they each still owed around £3500 at the beginning of 1916 and consequently contemplated six or seven more years of financial dependence, at best (CSR 2079).

Planters on Viti Levu's dry side had fared better. There, planter numbers increased steadily between 1906 and 1912 as CSR tenants joined planters on non-CSR land in supplying the Rarawai and Lautoka mills. By 1913, a total of fifty-four white planters were recorded as cultivating 70-75 per cent of the cane area, with Indian farmers and CSR cultivating about 20 per cent and 10 per cent respectively (CSR 2138-9, 2638-9). All were favoured by a relatively predictable climate and soils which produced sweet cane, especially in the Lautoka area (Ward 1965:53).

CSR sought to appropriate the benefits from a climate more suited to cane by paying dry-zone planters 10s per ton for cane of 13 per cent POCS, instead of the 10s for 11 per cent POCS paid on the Rewa. Even so, because Badila cane was substituted progressively for lower-yielding, less sweet Rose Bamboo cane and typically reached 14-15 per cent POCS, and since the cane price increased by 1s 3d per ton for every percentage point increase in POCS, dry-zone planters had a price advantage over their Rewa counterparts of more than a shilling a ton. They also had a cost advantage. Cultivation costs were lower in the dry areas because of reduced weed growth; and yields, at least in the Lautoka mill area, were higher. Whereas a cost of production below 10s per ton was a rarity on the Rewa, it was common in the

Rarawai and especially the Lautoka mill areas. CSR itself had grown cane on its Lautoka estates at a cost of between 7s and 9s per ton (CSR 2134-6, 2142, 2639; Moynagh 1981:146).

Little wonder, then, that plantation land on Viti Levu's western side was exchanging for £30 per acre in 1907, and that planters supplying Rarawai and Lautoka mills cleared themselves of their indebtedness to CSR fairly rapidly. The Carr brothers, in separate partnerships of R.P. Carr & Co. and H.G. Carr and J.C. Doyle, had both relied on CSR advances to establish plantations in 1903, and both were debt-free within five years. H.G. Carr had begun with just £300-400 of his own capital and with previous experience of sugar planting in Jamaica. By 1911 he was reputedly the richest man in Fiji. Four other planters of the time were reducing their average indebtedness by £900 per annum when receiving 10s 11d per ton of cane (CSR 2136-8, 3106, 3126).

Subsequently, the pace did not slacken. Planter prosperity was revealed most clearly and comprehensively in the improved financial positions of CSR's Ba tenants over the period 1913-17. Of the ten tenants indebted at 1 January 1913, five had cleared their average debts of £4244 by 1 January 1918, and two would clear their debts in two or three years, other things being equal. Only three were in the position of the Labasa tenants - facing five, ten and fifteen years of continued indebtedness. The debt reductions represented income over and above tenants' living expenses, house rent, servants' wages and, in some cases, £200 for a holiday some time between 1913 and 1918. As the Rarawai mill manager observed, most of the tenants were doing exceedingly well (CSR 2640, 3395). The same was true of planters on non-CSR land supplying Lautoka mill. In 1915, in cane bonuses alone, thirteen Ba planters received an average £542; and six had a further £382 credited to their CSR accounts, the remaining seven planters being free of debt to CSR. An average £589 was credited to fifteen Lautoka planters' accounts, and an average £400 paid in cash to an additional thirteen planters (CSR 2142, 2640).

For most of the fifty to sixty dry-zone sugar planters of Viti Levu, then, 1906-15 had indeed been the prosperous period it was forecast to be. Some fortunes had been made, and many small fortunes were within grasp. In contrast, the thirty to forty sugar planters on the Rewa and at Labasa trusted in good seasons and the passage of time to reduce what seemed to be a persistently high level of indebtedness. Time, however, was not on the planter's side.

Demise

1916 was a boom year for Fiji's sugar plantation economy. Cane output reached a record level, and high war-time prices were passed on in part to planters, who received the 1915 bonus

of 2s 6d per ton plus an additional deferred bonus (CSR 2271). But the British Government had accepted a recommendation from the Government of India that the indenture system be abolished: 'In Fiji there were celebrations among the Indians and effigies labelled "coolie" were burned' (Gillion 1962:181). One labelled 'white planter' appropriately could have been burned also. For the most efficient planter, growing cane on the best soil at base depended on a steady supply of cheap labour to sustain his living standard; and there was no chance of that after all recruitment for the colonies stopped in March 1917. The daily wage of free Indian labour rose from 1s 6d in 1914, to 1s 9d in August 1917, to 2s in 1918 (Gillion 1962:183; CSR 3127).

On the Rewa, the successful Gordon brothers anticipated events and quit their plantations at the end of 1916. Two other CSR tenants abandoned their leaseholds early in 1917, leaving CSR to write off outstanding debts totalling around £8000. Most planters saw out the year in an effort to clear their debts, and were successful because of a record crop and high cane prices. Then, frightened by the uncertainty of the labour position, they left before their plantation assets depreciated further in value. By January 1918, O. Freeman and A.C. Pain were the only CSR-financed planters on non-CSR land who remained on what the *Fiji Times* called the 'Ruined Rewa'. Pain was killed in action at the front later in the year and left an uncovered plantation debt in excess of £2000. Freeman abandoned Navuso at the end of the year, having failed to clear his debt to CSR at any time since starting in 1907, lost £1500 of his own capital, and incurred a debt of £1300 to G. Gordon (CSR 2271-2, 3126). By then, of the 10,340 acres under cane cultivation on the Rewa, 51 per cent was on CSR estates (over one-third sublet to Indians), 40 per cent was on free Indian farms, and only 9 per cent was on European plantations. CSR management expected that within a few years company estates would provide 35 per cent of the Rewa cane supply, and Indian farmers 61 per cent (CSR 2272-5; *Cyclopaedia* 1907:238).

White planter society disintegrated at Labasa as rapidly as it did on the Rewa, since there too poor yields and sourer cane made cheap labour even more crucial to plantation profitability than it was in dry-zone Viti Levu. By early 1918, only six CSR tenants out of fourteen remained. Two more retired at the end of the year (CSR 2080).

The more prosperous planters in dry-zone Viti Levu were less willing to leave their plantations. They looked to re-indenture, employment under the Masters and Servants Ordinance, and the supply of free labour to meet their short-term labour needs, which they hoped would be reduced by labour-saving technical improvements in cultivation and met in the long term by a resumption of some form of labour immigration. CSR tenants accepted one-year extensions of their leases from the end of 1917, so that whereas by January 1918 few white planters were

left in the Rewa and Labasa regions, planters in Ba accounted for 63 per cent of the area under cane cultivation. The reduction from 75 per cent in 1913 resulted not from a decline in European planting but from extensions in the Indian-cultivated area (CSR 2640).

The fact remained that Indians, including those under indenture, were no longer prepared to labour for the white planter for a shilling a day. Early in 1917, a strike occurred on R.P. Carr's plantation in demand of an increase in wages to 1s 6d per task. In May, free labourers at the Lautoka mill went on strike for an increase in wages from 1s 9d to 4s a day; and were joined by tram gangs and workers at the Sigatoka limestone quarry. The mill manager was stunned: 'In all my experience of Indian labour I have never yet seen anything approaching so concerted an action where the castes and classes are mixed together' (CSR 2143). Forced to use planters' and its own indentured labour to get the mill started and to operate it through June and July, CSR dismissed two Punjabis considered ringleaders, and was subsequently successful in signing on free Indians – but only by increasing wages from 1s 6d to 1s 9d in August. In the interim, the strikes had restricted cultivation. Late cane planting in 1917 followed by flood in 1918 caused the yield in the Lautoka mill area to drop to its lowest on record (CSR 2143, 2145).

Knox, though he would continue a public fight for a resumption of immigration, already had privately conceded defeat and informed governor Sweet-Escott that further extension of cane cultivation was impossible, and that the sugar sector would have to be rendered independent of immigration by settling land with Indian growers constituting their own labour force (CSR 2935). For white sugar planters, however, securing an imported labour supply was a matter of survival. Members of the Cane Growers' Association of Fiji contended that wage increases and lower labour effort had increased labour cultivation costs 63 per cent by 1918, while the cane price remained stable (CSR 3397). Moreover, prices of imported goods had increased 27 per cent on prewar prices (*Fiji Blue Books*), so that money wage gains and tenants' living allowances were eroded substantially. Against the wishes of CSR management, the colonial government therefore financed an Immigration Fund from 1918 by adding 5s per ton to existing sugar and copra export duties (Gillion 1962:186). However, the basic problem was still to be solved. On precisely what labour could Fund money be spent?

Sweet crops in 1918 and 1919 contributed to healthy financial results for some planters, but most CSR tenants started 1920 with a debt larger than that of two years before (CSR 2144, 2640-1, 3394-5). The same was true of sixty-six Indian growers, who were carrying debts of £380 per capita. Leaseholds reverted to CSR; and with cancellation of existing indentures in January, planter pessimism bordered on inactive fatalism, or, more frequently, had

turned into a resolve to get out. Planters now accounted for 15 per cent of the reduced cultivated area of 23,000 acres supplying Lautoka mill (CSR 2146, 2641).

A temporary reprieve for the remaining planters came when skyrocketing world sugar prices encouraged CSR to pay bonuses of 11s per ton and £1 per acre under cane, which effectively doubled the 1920 cane price, and thus permitted tenants to reduce debts significantly (CSR 2923, 2144, 2640-1, 3394-5). However, any revived hopes of white planter prosperity were lost in 1921. A falling world sugar price prompted CSR to eliminate the acreage bonus and to reduce the cane bonus to 10s per ton. And a decline in Indians' real wages between 1913 and 1920 culminated in the 'great Indian strike' from February to August (Gillion 1977:53). Planters accepted CSR's advice on resisting wage demands but did not advertise the fact. The letter written by the President of the Cane Growers' Association to the Colonial Secretary in March was calculatedly consistent with the CSR stand: 'a victory to the mob would not only mean a triumph of employee over employer but an immoral victory showing the dominance of Indians over Europeans unjustly gained by numerical superiority' (CSR 3146). Planters nevertheless sought assurances from the company, as they gathered their women and occupied strategic defence positions such as the hill near the Rarawai tennis courts (CSR 3146).

CSR's general manager affirmed it was the general aim of the company to facilitate continued European planting. But a CSR circular expressed company understanding if planters responded to the precarious position by quitting their plantations; and when crushing of the 1921 crop began in August, CSR rejected planter requests for preference in cane cutting and loading over Indian growers, whose own vested interests had been instrumental in ensuring a return to work by striking labourers (CSR 3127, 3146). The mill manager explained: 'as a Company we had no separate contracts for white and black' (CSR 3146). Nor did the company hesitate in exposing planters to the force of a major slump in the world sugar price at the end of 1921. The cost of cane grown on CSR estates had more than doubled between 1913 and 1921, but company management confirmed that a threatened reduction in the cane price to the 1913 level would be made nevertheless (CSR 2923). As the *Pacific Age* noted on 28 November, the restoration of the 1913 price was 'practically tantamount to ending the cane industry, as far as the European growers are concerned'. In a leader two days later it went on to complain of the purity of CSR's capitalist spirit:

to the board of directors what is it if a man is white, black, or brindle, so long as the dividend is wrested from the far-off soil of Fiji, and the economic outlook for the future, according to the company's doctrines, is being assured?

The strike of course had hampered cultivation and planting for the 1922 season, so many planters took the advice given in the *Fiji Times* and *Herald* of 2 November — to take the 1921 cane payment and quit before debts increased further. If they needed additional encouragement to leave, it came early in 1922. By then it was clear there would be no resumption of Indian immigration, and that the foundation of the plantation system consequently had been undermined (Moynagh 1981:111). No alternative, equally cheap supply source had been located. Suggested importation of West Indians had been rejected because 'they have peculiar ideas on their equality with white folk', and were expected to demand half-castes' wages (CSR 3146). Planters had clung to the 'promise' in Lord Hardinge's March 1916 statement in Delhi that the Secretary of State had asked the Viceroy of India to maintain the existing system of recruitment pending establishment of a substitute. Now, as the Cane Growers' Association put it, twenty-nine planters of dry-zone Viti Levu stood, after twenty years residence in most cases, 'grasping at the shadow of labour unsupplied' (CSR 3106).

They could not have employed imported labour anyway. CSR ceased advances in January 1922; and though advances warranted by hardship and the expected crop size were permitted later, the decision left planters without working capital and, for those whose securities were pledged to the company, without a chance of raising it elsewhere (CSR 2923, 3146). Long a political ally of CSR, the planter community now became a sacrificial lamb. The 1922 cane price and wage rate offer was made conditional upon removal of the sugar export duty imposed since 1916 and increased to £1 per ton in 1920. Given the dominant view — expressed by Maynard Hedstrom in the Legislative Council in 1917 — that the planter was the 'greatest asset of the Colony and should be preserved at any cost', CSR's general manager explained how removal might be hastened: 'just now it will be as well for us not to hurry about smoothing out difficulties besetting the independent planters' (CSR 2923).

After CSR's general reassurance, epitomized in the assertedly much used slogan 'Trust the Company', planter pessimism turned to despair and resentment. Planters felt that CSR, which admitted war-time profits were very large, had appropriated a disproportionate share of the income generated by high war-time sugar prices, leaving them — despite substantial profits in 1920 — with inadequate reserves. And they were dismayed at the brutal immediacy with which CSR chose no longer to protect them from market vicissitudes (CSR 3106, 3146). Plantation abandonment and probable departure from Fiji, inevitable as they were, had, in their eyes, been hastened indecently. As R.A. Harricks told CSR's managing director:

After one has tackled a bare hill and gradually made a comfortable home and resided therein for nearly 16 years, and has increased one's crops per acre over 50%, it is not an easy matter to decide to give it up (CSR 3106).

But give it up he, and others, did.

The few who stayed on as planters, in defiance of the trend, went further into debt. S. Coffey at Ba was indebted to CSR for £3465 in January 1920, reduced it to £1024 by January 1921, and increased it steadily to £6000 by January 1925. Before the strike and sugar slump, he had been worth 'some thousands' according to local CSR management. Individual Europeans, aside from several CSR tenants taken back into the company's employ, now made money from sugar only as landlords to Indian growers, themselves heavily in debt and bound for a poverty which white planters had never experienced (CSR 2641, 2644, 3106, 3146).

A kind of prosperity

Prospective white settlers were always attracted to Fiji by two things — 'the halo of romance that surrounded a full-blown "planter"' (Scarr 1980a:3), and the promise of rapid wealth. All that was necessary to acquire both, so the propaganda went, was a little capital and a knowledge of tropical agriculture (CSO 1068/1892).

What kept white settlers in Fiji after the 1870s cotton collapse, and forced them into sugar planting on the Rewa, was indebtedness. And it was an indebtedness frequently unrelieved by expertise in sugar cane cultivation. In 1886, one member of the Levuka Chamber of Commerce contended that the failure of the small planter was the result of the fact that he had the same capital and less experience than a cockatoo settler in Australia (*Legislative Council Journal* 1886). Only one or two of the first generation of Rewa sugar planters had had previous experience of cane growing. Unfounded optimism and general managerial inefficiency had also led in some cases to initial overextension in land acquisition and cultivation, and subsequent increased borrowing against crop liens and ultimately against mortgages (Thiele 1889-90:362).

But these were factors magnifying the basic non-viability of plantation enterprise on the Rewa in the 1880s, a time when individual white planters and even CSR could not grow cane at a profit, despite the maintenance of the sugar cane price in the context of a falling world raw sugar price, and despite intensification of the exploitation of indentured Indian labourers. Planter indebtedness increased to the point where their land went to CSR, and banks and the mortgage companies.

The fascination of a planter life in the Pacific proved compelling nonetheless, and from the 1890s the white sugar planter community was reborn as ex-CSR employees took up company offers of leaseholds, first on the Rewa and then in dry-zone Fiji, and as new white immigrants settled on freehold land and land leased

from Fijians. Sweeter cane and improved yields generally permitted a plantation profit margin; but on the Rewa and at Labasa it was not large, and bad seasons tended to set planters back. Good management and long experience of cultivating especially fertile land were needed in these areas if wealth was to be accumulated. On this criterion, only three Rewa planters were successful. Even in the more profitable sugar cane areas of dry-zone Viti Levu, infertile land producing sour cane could catch competent managers in a web of debt. Conversely, incompetent management of good land could lead to similar entrapment, especially if rent was set according to land quality rather than plantation profitability. However, the incompetent and the unfortunate were not the first to go when an end to importation of indentured Indian labourers was announced in March 1916. A few successful planters, who thought realistically about future prospects instead of clinging to the white planter's dream, left Fiji. For most of the planters who remained, the years of prosperity from 1906 to 1915 had left them on the verge of accumulating savings, and they held on in the hope that war-time cane prices would offset rising labour costs pending a new system of labour immigration. But CSR saw itself relying on the small-scale Indian cane grower in the future, and by 1922 white planters faced Hobson's choice. In one respect, they retired as they had started — without a competency. The difference was that they were older, doubted their ability to succeed in another occupation, and had families to support.

Hunt's experience as a CSR tenant exaggerated the truth. Given four weeks notice to vacate his plantation house, in ill-health, and with a young wife and growing children to support, he pleaded a poverty which his CSR benefactors preferred to interpret as a kind of prosperity: 'The Hunts state they have no money; they have a governess, at least two servants, an overseer and their own living allowance evidently all provided by us: they also run a motor car' (CSR 3146). As CSR management complained, 'comfortable living at someone else's expense has almost invariably been the first thing our tenants have looked for' (CSR 3126). That Hunt got it meant that, when he joined other ex-planters in forced retirement, he could at least nurse recollections of a brief, lost golden age — an age ending with a retreat of the white settler frontier in Fiji and a confirmation that the white capitalist grip on the colonial economy was emphatically a corporate one.

Chapter 5

Shipping dependency

Steam hastened the spread of capitalism in Fiji. Ocean shipping was necessary to carry the export goods produced and the import goods demanded by the colonial economy established and expanded in the years 1875-1915; and late nineteenth-century technological changes made steam superior to sail, reducing economic distance by increasing speed and reducing freight rates (North 1958: 541-3). In 1888, steamers already accounted for 77 per cent of 51,500 tons of shipping clearing Fiji ports. It was 97 per cent of 303,600 tons in 1912 (*Fiji Blue Books*).

Ocean-going tonnage reaching Fiji between these years was largely owned and operated by two companies — the Union Steam Ship Company of New Zealand Ltd (USS) and the Australasian United Steam Navigation Company (AUSN). They carried almost all the colony's imports and sugar, copra and banana exports. CSR transported the bulk of the remaining imports and some sugar in its own steamer; but USS ships took most of the sugar, and CSR did not import non-company cargo for fear of USS-AUSN reprisals which, in the general manager's judgment, would have caused serious losses in the company's Fiji and Queensland business (Shipping Commission 1913; Inter-State Commission 1917-18; CSR 2148, 2189).

The evident shipping dominance of USS and AUSN inevitably aroused the suspicion amongst Fiji planters and merchants that collusion — as well as basic commodity bulk and distance considerations — determined shipping schedules and freight rates. Suspicion became certainty when freight rates increased substantially late in 1913 and, according to Fiji's white community, threatened to kill the banana export trade. A major government investigation of Fiji's internal and overseas shipping followed. At the end of it, USS and AUSN stood accused of long-standing monopolistic practices which had worsened Fiji's terms of trade and ensured them excessive profits. The purpose of this chapter is to assess the case against USS and AUSN through an examination of their operations.

AUSN and USS in Fiji: the beginnings

For the first five years of British colonial rule, steaming between Australia, New Zealand and Fiji was largely the preserve of Australasian Steam Navigation Company (ASN). Extended in 1880 to include the Fiji inter-island trade, it was distinguished by tranquillity in comparison with the turbulent Australian coastal trade — until the peace was disturbed by James Mills, founder of USS, managing director from 1875 to 1913, and chairman from 1906 to 1936. Expansionist and innovative, Mills bought out the Auckland Steam Ship Company in 1881 and James McEwen & Co. of Melbourne in 1882, taking over the Auckland-Levuka and Melbourne-Fiji runs, respectively, and introducing bigger ships. In 1883, USS entered Fiji's inter-island trade; and two years later, the company won the San Francisco mail contract (USS; Waters 1952).

ASN, suffering heavy losses from cut-throat competition with the Queensland Steam Shipping Company (QSS) in the eastern Australian coastal trade, now confronted underutilized capacity and freight rate wars in the Fiji inter-island and ocean-going trades. It sold an inter-island vessel to G.W. & B.B. Nicoll in 1885, only to see them link this with a Fiji-Sydney service. The resultant competition on the run drove freight rates down to 50 per cent of scheduled pre-competition rates, increasing the losses that had already led to an ASN offer to sell out to the British Indian Steam Navigation Company (BISN). In 1887, ASN and QSS, a BISN subsidiary, merged to form AUSN. Competition in the Australian coastal trade was reduced, and the capital resources to meet competition in the Pacific islands increased. AUSN immediately introduced an extra 'combat' steamer on the Sydney-Fiji service and drove the Nicolls out of business. USS could not be so easily dispatched (McKellar 1977:36, 65-8, 83, 109-11; Buckley and Klugman 1981:33).

USS management had anticipated a slow development of the Fiji trade, hoping to minimize losses in the early years pending the harnessing of shipping profitability to export expansion. Sugar exports went in sailing ships to Sydney and Melbourne until the opening of CSR's Auckland refinery in 1884 redirected them to New Zealand (Lowndes 1956:200; USS). Copra and fast-growing banana exports — 70 per cent European grown (CSO 1873/1888) — were destined primarily for Sydney and, in the case of copra, trans-shipment to Europe. Over 60 per cent of Fiji's imports came from Australia, particularly Sydney; and only 20 per cent came from New Zealand (*Fiji Blue Books*). Not surprisingly therefore, USS directors saw Sydney as a port of call crucial to the capture of more Fiji trade. But because the Sydney-Fiji run was an AUSN domain, they eschewed a blatant drive into it, living instead with the geographic boundaries of the Melbourne/New Zealand-Fiji/Pacific Islands trade, and relying on reliability and cost-competitiveness to increase the USS share. USS secured the Fiji government mail contract between Fiji and Tonga in 1886, and received an annual subsidy to run an inter-island steamer in the Fiji

group. Most importantly, in 1888 USS gained a share of the sugar trade to New Zealand by offering a very low freight rate. Two years later it controlled the trade, shipping CSR sugar out of Fiji and backloading with coal and CSR supplies (USS). USS also gained a foothold in the Sydney-Fiji trade in 1888 when Presbyterian missionaries persuaded the Victorian Government that a subsidized shipping service to the New Hebrides was needed to counteract French influence there. USS was granted £1200 per annum to call monthly at the New Hebrides en route to Fiji from Melbourne, provided that the company put in at Sydney. Missionary arguments similarly induced the New South Wales Government to give AUSN the same subsidy for diverting its Fiji steamer (Buckley and Klugman 1981:58; USS).

AUSN management took it for granted that a 'friendly Company' such as USS would not compete for cargo in Sydney or cut freight rates on the Sydney-Fiji run, especially since tonnage employed was 'far in excess of requirements' (USS). However, indignant AUSN protest at unfair USS competition came as soon as the Fiji via New Hebrides services began. Reacting to reports from its Fiji agent that AUSN was poaching the USS Melbourne trade by offering freight rebates to the pre-eminent Fiji merchant company Henry Marks & Co., USS undercut AUSN Melbourne-Sydney rates. In all probability, it picked up cargo in Sydney as well. John Munro, general manager of AUSN, claimed that rebates, if given by the AUSN Fiji agent, were not sanctioned by head office, and demanded USS drop Sydney as a port of call. Even though protestations of innocence and unprofitability were made, the AUSN intention was nevertheless clear: in February 1888 the company had secured the support of two major European banana shippers in Fiji by undercutting the USS freight rate and offering a rebate if the shippers used AUSN vessels exclusively; and it cut Melbourne-Fiji freight rates from 35s per ton in March to 22s 6d in May (Waters 1952; USS).

AUSN demands for USS withdrawal from the Sydney-Fiji trade were therefore regarded as outrageous by the USS board, which in any case was bound by agreement to call at Sydney. Yet the freight rate fall in a trade considered oversupplied with shipping threatened serious losses. In August 1888, Munro suggested AUSN and USS jointly fix freight rates; and though Mills initially was disposed to await anticipated AUSN losses from running two steamers between Sydney and Fiji, he was reminded by a USS London board member that competition could be mutually disastrous, and in September agreed to AUSN and USS coordination of timetables and collusion on freight rates. Practice was inconsistent with policy for a time. USS-AUSN price competition continued in the New Hebrides inter-island trade, and flared again in the Australia-Fiji trade in January 1889 when AUSN began undercutting agreed freight rates. USS matched AUSN rates and attracted the cargo of Henry Marks & Co. and of A.M. Brodziak & Co., another major Fiji merchant company. But the price-cutting warfare was brief. By April, USS and AUSN management had agreed again that collusion was

a profitable alternative. Freight rates and timetables were set accordingly, and USS permitted to carry Sydney cargo so long as it charged a rate higher than AUSN's. The talk now was of future gentlemanly cooperation within what John Munro, writing to James Mills in April 1889 (USS), dubbed a 'defensive and offensive alliance'.

Neither USS nor AUSN management believed the *status quo* to be immutable, however. A portent of particular importance was the USS ordering in 1890-91 of three ships designed specifically for the fruit trade to New Zealand (USS; Waters 1952:28), when AUSN was complaining of losing money on bananas. Clearly, antagonism within cooperation was the essence of USS-AUSN collusion. The companies were, after all, opponents in the Fiji trade, brought together by the interdependence which opposition created, and which prevented each company maximizing profits without reference to the other's actions and reactions. Optimizing profits demanded mutual trust, and an absence of price-cutting competition from new entrants to the islands trade.

Price war and collusive peace: the 1890s

Fierce competition was the rule in Australasian and South Pacific shipping during the early 1890s; and it occurred in the context of agricultural depression (Buckley and Klugman 1981:67; USS). Output of Fiji's two major export staples stagnated, while banana output rose to 799,000 bunches in 1892 only to collapse to 383,000 in 1893 (*Fiji Blue Books*). Shipping to carry these exports was in oversupply. Two USS vessels in the sugar trade, and five vessels in the fruit trade (two AUSN and three USS), were joined by ships under the management of Huddart, Parker & Co., agents for the Canadian-Australian line. If AUSN and USS were tempted to cut freight rates because excess capacity meant the cost of additional business was low, James Huddart made succumbing to such temptation a necessity. He instituted, but did not win, a ruthless rate war.

The Canadian-Australian line included Fiji in its Vancouver-Sydney service from May 1893. USS and AUSN had already lost the subsidies for calling at the New Hebrides *en route* to Fiji from Sydney due to economic depression in Australia; and the USS Fiji agent complained that the Melbourne fruit trade had collapsed. Now, passengers and bananas were lost to a third company. AUSN took a steamer off the Sydney-Fiji run for a time, but fought back early in 1894 with freight rate cuts, followed in October by offers of freight rebates of from 10 to 25 per cent to Fiji merchants prepared to ship exclusively with AUSN. USS matched the AUSN freight rates and rebate offers since AUSN rate cutting threatened USS's Melbourne-Fiji trade. Munro of AUSN objected to the USS incursion into the Sydney-Fiji trade, and promised an escalation of price warfare; but before the cooperative spirit

dissolved completely in unbridled competition, Munro and Mills negotiated. The outcome was an exchange of assurances, from USS management that it would keep out of the Sydney-Fiji trade, and from AUSN management that it would keep out of USS's newly-opened Samoa and Tonga trade (Buckley and Klugman 1981:59, 64-5; McKellar 1977:178; USS).

In reality, USS acquired a large share of Sydney-Fiji cargo, management claiming it simply had to succumb to competitive pressure and the demands of merchants who were prepared to pay 2s 6d per ton more to ship with USS. Perhaps alleged anti-Semitic remarks by AUSN's Suva agent had something to do with the latter decision, taken by Henry Marks and S.L. Lazarus of A.M. Brodziak & Co. — though sentiment rarely stood in the way of merchant profit. At any rate, by early 1895 Munro was forced to accept a USS presence in the Sydney-Fiji trade. In March it was agreed that USS and AUSN carry cargo from Melbourne, Sydney and New Zealand to Suva at equal rates; and that the Melbourne and Sydney trades be divided one-third USS and two-thirds AUSN (USS).

Huddart undermined the agreement by halving Sydney-Fiji freight rates. USS and AUSN were compelled to follow suit, AUSN complaining it had not received a two-thirds share of the Fiji trade anyway, and renewing its call for USS to retire from the Sydney run. Mills, suspecting AUSN and Huddart of collusion, and mindful that to initiate a breaking of the USS-AUSN agreement could drive AUSN into combined opposition, instructed branch managers to adhere strictly to the March guidelines. But the USS Sydney manager declared war to the knife when, in July, AUSN entered the Tongan trade and began undercutting USS. All the rules of the game broken, USS now made a direct bid for the Sydney-Fiji trade (USS).

It took about two months for USS and AUSN to relearn that unrestricted selfish impulses guaranteed mutual unprofitability — and for Huddart, on the verge of bankruptcy, to accept the lesson. Late in October 1895, AUSN and USS agreed each to run a monthly steamer to Fiji, and to share the trade equally. Huddart, Parker & Co. agreed to a fixed freight rate of 20s per ton of general cargo, compared with the pre-1893 rates of 25-30s, and to a freight on bananas of 9d a bunch, less 15 per cent for major shippers (USS). AUSN's average dividend had fallen from 4.8 per cent in 1888-91 to zero in 1892-95 (McKellar 1977:209). USS, which suffered Huddart competition in its New Zealand-Sydney and New Zealand-Tasmania trades for three years, had seen its dividend rate for the same periods fall from 8.0 per cent to a 4.8 per cent maintained by drawing on the company's insurance fund. The company carried 11.5 per cent more cargo in 1895 than in 1891, and 22.5 per cent more passengers; but net freight receipts and passage money were down 29 per cent and 40 per cent, respectively (USS). The October accord was expected to reverse the revenue trend.

USS management drew no comfort from AUSN provision of low Suva-Sydney trans-shipment rates to Burns Philp & Co., which began undercutting USS in the Tongan trade late in 1896. Nor did it take lightly the Canadian-Australian line promise of another rate war if its share of Sydney-Fiji cargo did not increase. In conciliatory mood, USS terminated contracts with A.M. Brodziak & Co. and Henry Marks & Co. five months ahead of the expiry date in order to permit some cargo reallocation, and thus to allay an AUSN complaint that the Sydney-Fiji trade had been profitable before USS interference. But profit prospects improved when shipping tonnage on the Fiji run was reduced with Huddart, Parker & Co.'s 1897 bankruptcy and subsequent absorption by USS. Collusion became a bilateral affair, reaffirmed by USS-AUSN agreements on freight rates and shipping schedules in 1899 and 1900. Sydney/Auckland-Fiji rates increased to 30s per ton of general cargo, and 1s per bunch of bananas (including 1d for wharfage); and rebates were offered to major Fiji merchants (McKellar 1977:178-9; USS). Compared with the late 1890s, Fiji banana shippers lost 2d per bunch to the shipping companies; and Fiji merchants absorbed or more probably passed on a 50 per cent freight rise. This, too, was the future prospect so long as the USS-AUSN working agreement was adhered to and was free of outside competition.

Collusion consolidated: 1900-12

The continuing internal threat to the shipping conference was dissatisfaction with the cargo-capacity ratio so severe that it led to freight rate cuts. The first example in the twentieth century ultimately was traceable to Australian Federation in 1901, when tariffs on raw sugar and banana imports were introduced in order to protect white growers in Queensland from cheaper tropical output. Since Fiji sugar went to New Zealand, European sugar planters were not affected. But Fiji bananas mostly went to Australia, and a duty equivalent to 6d per bunch proved almost prohibitive. A Chinese firm reneged on a government contract to market bananas. USS-AUSN management agreed that the Fiji-Melbourne service had to be abandoned. And there was employment for only one vessel on the Fiji-Sydney run.

AUSN management suggested a joint USS-AUSN reduction in banana freights to 6d per bunch as a means of attracting cargo, but this was rejected by the USS board on two grounds. First, it was argued that such a reduction would suggest extortionate pre-tariff freight rates and thus weaken the case for a tariff cut. Second, it was assumed that in any case a 50 per cent rate fall would not produce the desired supply response. AUSN then unilaterally reduced the freight rate to 8d - to find growers did not see sufficient incentive to increase the quantity supplied. By demonstrating the smothering effect of the Australian tariff, this unexpectedly strengthened the case for a tariff reduction; and fifty-seven petitioners, including AUSN and Burns Philp,

successfully appealed to the Minister of Trade and Customs on the nationalistic grounds that Fiji produce should not be diverted to New Zealand, especially since Australian plantations had fallen into Chinese hands. The duty was cut in half, and trade revived with the assistance of the 8d freight reluctantly agreed to by USS as the going rate for the December 1901-January 1902 season (McKellar 1977:257-8; USS). The remaining tariff was an omen, an announcement that the White Australia policy had to be added to the other forces, market and climatic, defining the vulnerability of the Fiji banana industry. But pessimism was not the mood of either Fiji's white population or the shipping companies. USS decided in 1903 to introduce steam turbines into its fleet, and followed with the purchase of three new and larger vessels, the 2930-ton *Navua* in 1904, the 3444-ton *Atua* in 1906, and the 4345-ton *Tofua* in 1908. AUSN brought in the 2200-ton *Suva* in 1906 (USS; McKellar 1977:258, 265; Waters 1952:55).

Fleet expansion had come after some strain in the USS-AUSN alliance during 1903, and in the context of a threat from market forces in the form of chartered ships and new shipping lines. The large multinational Unilever could charter tonnage for copra produced at the Rabi island plantation it acquired in 1902 (McKellar 1977:270; Fieldhouse 1978:458). CSR could buy and operate its own ship. Even small shippers could attempt to run vessels in competition, most notably Christian Kaad, who from 1905 captured some Sydney-Fiji cargo through a freight quotation of 20s per ton - 10s below the conference rate. But USS-AUSN threatened to outbid Kaad for copra cargo by authorizing the AUSN agents, Burns Philp, to pay £1 per ton above market rates; and effectively used the threat of withholding rebates from merchants who used non-conference vessels. As Kaad told the 1913 Shipping Commission, 'They could not stop me running the steamer, but they stopped the merchants shipping with me'. In consequence, Kaad made little impact on USS-AUSN cargoes in the years before his 1911 amalgamation with the Burns Philp subsidiary, Robbie & Co. Robbie, Kaad & Co. then withdrew the steamer in accordance with a 1910 assurance that Burns Philp would not compete with AUSN in the Fiji trade (McKellar 1977:258; Buckley and Klugman 1981:260; USS).

No other locally-based competition in ocean-going shipping was offered after the demise of Kaad's service. And there was little in the way of foreign-owned shipping entering Fiji waters outside of USS and AUSN vessels. From 1906, R.A. Alley & Co. called at Fiji on its Vancouver-Auckland run; but dues concessions proved an inadequate offset to the effects of USS competition for Canada-bound sugar cargo, and in June 1909 Alley withdrew. In 1911, James Nourse & Co., the carrier of Fiji's Indian labour, began diverting some United Kingdom cargo from Sydney to Calcutta for trans-shipment to Suva. They were countered by USS including *Suva* in its regular Calcutta-New Zealand service. Only AUSN lost some cargo (Shipping Commission 1913; McKellar 1977:265, USS).

The parameters of Fiji's shipping dependence therefore remained unchanged in the early twentieth century. By 1907, USS and AUSN collusion was formalized to the extent of printing a strictly private Fiji Schedule of agreed freight rates and rebates (USS). The basic rate for general cargo Sydney-Fiji was 30s per ton, plus 10s for Melbourne cargo trans-shipped at Sydney and 7s 6d for New Zealand cargo trans-shipped at Auckland. Twelve months after shipment, Fiji importers received a flat rebate of 15 per cent. The freight rate on copra was set at 17s 6d per ton for independent shippers, and 15s for contracted shippers. The rate on bananas was 11d per bunch. Only CSR and the Vancouver Fiji Sugar Company got special treatment, both receiving 15 per cent off the standard rate on general cargo. CSR also obtained low rates on sugar and coal – a benefit it could, and did, maintain by threatening to introduce a second steamer in support of the company vessel *Fiona* should rates become unacceptable (*Shipping Commission, 1913*; McKellar 1977:260).

Fiji's relatively minor exporters could not hope to break the Fiji conference's agreed schedule of rates. The Pacific islands trades were not a negligible part of USS-AUSN total business, and grew in profitability as company collusion was consolidated: 15 per cent of USS total shipping tonnage was employed in the islands in 1898-1900, and an average 10 per cent in 1901-15, while the islands contribution to total operating profits rose from 8 to 11 per cent, respectively (USS). Yet, clearly, USS-AUSN withdrawal from the islands would not have signalled the companies' demise. It *would* have deprived Fiji shippers of crucial infrastructure which they had neither the resources nor the unity to replace. A 1908 prospectus for a local Western Pacific Steamship Company remained notional because support came from some banana planters only on occasions when USS-AUSN shipping capacity fell short of cargo supply, and because merchants had a vested interest in keeping rebates on cargo shipped in dependable first class tonnage. In the absence of effective competition, USS and AUSN determined the frequency, capacity, speed and price of the Fiji shipping service (McKellar 1977:177, 260; *Shipping Commission, 1913*).

Shippers were not always critical of the consequences. They welcomed the *Navua* in 1904, and USS financial assistance after a hurricane led to the sale of poor quality bananas on a glutted Sydney market. But shippers recalled the 1890s rate war, which had permitted the Fiji Banana and Produce Company to sign a five-year contract with AUSN to carry bananas to Sydney at 7½d per bunch; and they complained often of unspecialized ships, inadequate capacity, unsatisfactory routes, and infrequent visits (USS). As the merchant A.B. Joske put it in the *Western Pacific Herald* of 29 January 1907: 'though the Fiji banana trade was a large and important one to the steamers, the Steamship Companies do nothing to help the industry'.

Shippers found a receptive colonial governor in that champion of the white settler cause, Sir Everard im Thurn. He agreed that

reopening of the Melbourne fruit market to Fiji bananas required a subsidized steamer service, and in July 1908 called for tenders, specifying a refrigerated vessel capable of 16 knots to run Sydney-Fiji-Sydney-Melbourne fortnightly. AUSN and USS responded with an offer of a slower monthly insulated service, only to be surprised by competitive bids from H.C. Sleigh & Co. and Elder, Dempster & Co. Sleigh won the contract but did not fulfil it, for his steamers were not refrigerated at the time of tender, and colonial government grew impatient with the resultant delays, compounded by Sleigh's financial difficulties. The more expensive Elder, Dempster & Co. were then offered the contract, but refused, fearful of USS-AUSN competition and industrial action resulting from the company's failure to employ crews on Australian wages and conditions. Government remained hopeful of attracting larger, faster refrigerated vessels to the Fiji trade; but there was no doubt which vessel would be accepted when in July 1909 new tenders were called for a six-month service. A monthly USS-AUSN *Manapouri* run to Melbourne was to receive a £5000 subsidy, freedom from pilotage and light dues, coastal licence fees and tonnage duties, and the promise of £550 from the government. The companies' joint grip on the carriage of Fiji's export staples was consolidated without ever having to engage in the rate war they had been prepared for (CO 83/91, 83/92; McKellar 1977:260-3; USS).

USS and AUSN nonetheless complained that the Fiji-Melbourne banana run was unprofitable from its inception. Cargo was systematically short of what the companies regarded as an acceptable level of capacity utilization (CO 83/92). Nor was the Australian market firmly secured. The shipping companies Smith & Co. and the Adelaide Co. had substantial investments in North Queensland banana plantations and supporting infrastructure. They responded to Fiji competition by reducing freights on Queensland bananas shipped to Victoria. They were also represented in deputations to the Federal Minister for Trade and Customs which in 1910 and 1911 sought a reimposition of the near-prohibitive import duty on bananas. Evidence that Chinese were dominant in Australian middle-man operations, and consumer agitation in favour of Fiji bananas, gave Fiji growers a respite. But in December 1911 the duty went up to 9d per bunch on grounds even AUSN management would not challenge: 'The Company valued its Fijian trade, but could scarcely object to efforts to promote the home-grown fruit when white growers were involved' (McKellar 1977:266).

In Fiji, the preoccupation was with the local banana supply and shipping arrangements. A March 1910 hurricane had destroyed 75 per cent of the banana plantations, causing suspension of the *Manapouri* service to June 1911; but new plantings began maturing in the new year and promised a record annual crop, topping the previous high of 988,000 bunches in 1906, and demanding a market (McKellar 1977:264; CO 83/100). Governor Sir Henry May (1911-12), impressed by the banana's potential as a white settler crop, offered to add £2000 per annum to the previous £5000 subsidy if AUSN's new 6130-ton *Levuka* - fitted at a cost of £60,000 - would

run alternately with the *Manapouri* to provide a fortnightly service to Melbourne. USS and AUSN accepted, though sceptical of Fiji growers' ability to fill both ships to capacity continuously, and doubtful therefore of the service's profitability, even with the larger subsidy which – unbeknown to the companies – May regarded as temporary. A ½d per bunch export duty on bananas was imposed to raise £2500 annually towards the shipping subsidies; and from 1 January 1912 it was to be increased to 1d to raise £5000. Tax and subsidies were to be withdrawn once the banana trade had been established as commercially viable – or moribund – with freight rates of 1s per bunch to Sydney and 1s 2d to Melbourne (CO 83/100; McKellar 1977:265; USS).

In the event, planters' crop estimates were exceeded, 1911 exports reaching 1,336,500 bunches (*Fiji Blue Book*); but a January 1912 hurricane damaged 50 per cent of the bearing banana trees in Rewa and Nadroga, largely through flooding, and caused wind damage to the tall Gros Michel variety recently planted in Savu Savu. In a repetition of 1910 events, May requested suspension of the *Manapouri* service for six months from April, one-third of the subsidy to be paid during this period if the vessel remained unemployed. The governor had already decided that £18,500 in annual shipping subsidies and exemptions was excessive at 8 per cent of government revenue; that the Melbourne banana trade should be able to survive withdrawal of the subsidy in September 1913; and that the agreement with USS and AUSN should be terminated even earlier if, after the *Manapouri*'s suspension period, a superior vessel was not introduced. Supported by the Secretary of State for the Colonies, in June 1912 he announced to USS and AUSN that in effect a second *Levuka* was required but would not receive a subsidy past September 1913 at the latest (CO 83/105-107).

May, in his despatch to the Colonial Office of 18 March 1912 (CO 83/106), recognized that his government and the colony were 'practically in the hands of the two powerful Companies which unfortunately monopolise the steamship communication between Suva and the outside world', and that withdrawal of the subsidy would cause the Melbourne service to lapse. Yet he was prepared to withdraw the £7000 subsidy in 1913, and to remove the banana export duty which raised £5000 towards it. Either USS-AUSN ships on the Melbourne run were expected to be profitable by then, without charging extortionate freights; or the Melbourne market was to be lost for the saving of a paltry £2000 per annum and the satisfaction of a futile gesture at the shipping companies.

The case against the companies: 1913

The colonial governor's bluff was called when banana production recovered *en route* to a new record level in 1913. USS-AUSN put the *Manapouri* back on the Melbourne run. Shippers clamoured for more – and higher quality – cargo space. Then May withdrew

the subsidy. It would be restored, he said, if USS put on a ship like the *Levuka*.

USS management preferred to exercise its monopoly power, suggesting to AUSN management that a banana freight rise of 6d per bunch was in order. In November 1910, AUSN had signed a seven-year contract to provide a subsidized Sydney-Fiji and inter-island service; and under this agreement, it was bound not to increase freights and fares without government permission. Nor could the agreement be terminated, in principle, without six months notice. But in June 1913, AUSN gave three months notice, having already planned with USS an increase in freight rates of 2s 6d per ton on general cargo, and 4d per banana bunch (in insulated space). These rates, and a 5 per cent increase in passenger fares, were to become effective from 1 October. Then, in July, as *Levuka* steamed between Sydney and Suva, news of smallpox in Australia reached Fiji. Government officials wired that passengers would not be disembarked unless vaccinated; and since there was no vaccine on board, *Levuka* was compelled to return to Melbourne. Stringent quarantine regulations followed which prevented shore communication in Fiji if a ship had not been fourteen days out of Sydney — leaving a direct Sydney-Fiji ship idle at anchorage in Suva harbour for about one week. USS-AUSN withdrew *Levuka* and *Navua* from its New Zealand-Fiji-Tonga-Samoa run; and, on 2 August, in what appeared unrestrained retaliation, announced new freight rate rises of 7s 6d per ton of general cargo, 4d per banana bunch, and 5s per ton of copra. Passenger fares were increased by 50 per cent (*Shipping Commission, 1913; McKellar 1977:269*).

Fiji's commercial community was outraged. In the Legislative Council meeting of 16 September, the senior elected member, Henry Marks, granted that USS and AUSN had given Fiji 'splendid service', and accepted the argument that this service was provided because the companies' control of shipping guaranteed sufficient cargo to make it profitable. The August exercise of monopoly power he found intemperate, a threat to the banana planters' existence, and a source of profits well in excess of what would have been earned had Fiji attracted tramp steamer competition. The merchant Maynard Hedstrom agreed: 'the time has arrived when some steps should be taken to protect the industries of the Colony from a monopoly which has demonstrated by its recent actions that it requires regulation' (*Legislative Council Debates 1913*). Marks successfully moved that a commission be established to investigate future shipping facilities and means of assisting the banana industry.

Six days later a three-man team was appointed. Between September 1913 and July 1914, sixty-six witnesses throughout the colony were examined, including prominent merchants, banana shippers, and the USS and AUSN Fiji agents. Three hundred and twenty-two pages of evidence were taken, and three major conclusions drawn by the commissioners. First, it was agreed that USS and AUSN had improved the passenger and cargo service to Fiji in line with expanding trade. The commission heard few complaints other

than those relating to some banana boats. Second, it was clear also that USS and AUSN had a monopoly of the Fiji trade since tramp steamer visits were comparatively rare, and local attempts at establishing competitive services had failed because of 'the free and ruthless use of the deferred rebate system'. Third, it was concluded that the 'arbitrary and despotic' use of monopoly power maintained an 'unreasonable' scale of fares and freights, even after relaxation of quarantine regulations brought a reduction in the general cargo freight to 32s 6d per ton by February 1914, and the rate on bananas had dropped 1d to 1s 3d per bunch to Sydney. The latter rate was generally believed to make banana production unprofitable and, with the 'excessive' general cargo rate, to ensure superprofits for USS and AUSN (*Shipping Commission, 1913*).

On the first two conclusions there was, and in retrospect can be, no dispute. Larger, faster steamers running on fixed and regular timetables were welcomed as much as the corollary of collusion was deplored. High fixed cost/total cost ratios and rigidity of sailing schedules for such steamers made their owners especially sensitive to freight rate cuts, low capacity utilization, and poaching by tramps at peak shipping season — though in Fiji the latter was a very minor irritation confined to the banana trade. The USS-AUSN confidential arrangement of freight rates, and the use of deferred rebates to prevent merchants shipping in non-conference vessels, were therefore not aberrant (cf. Greenhill 1977). It was the inference of excessive monopoly profits from the Fiji trade which the shipping companies disputed.

That shipping enterprise in the late nineteenth and early twentieth centuries was well rewarded is indicated by the capital accumulation and declared profitability of USS in particular. From £360,000 in 1885, its paid-up capital increased more than fivefold, largely through bonus share issues, to reach £2 million in 1913; and its fleet expanded from twenty-nine steamers averaging 1055 tons to seventy-five steamers averaging 3095 tons. The average dividend rate increased from 7 per cent in 1882-99 to 8.9 per cent in 1900-12; and the net profit rate on paid-up capital, after straight-line historical cost depreciation at about 5 per cent, increased from an average 8.5 per cent in 1882-99 to 10.1 per cent in 1900-13 (Annual Reports, USS). AUSN's performance was less impressive. Paid-up capital increased from £250,000 in 1888 to £445,000 in 1912, and the dividend rate in 1887-99 averaged just 2.7 per cent. But once conferences controlled the Australasian and Pacific trades, profits grew. The AUSN dividend rate averaged 8.1 per cent in 1900-13 (McKellar 1977:208-9, 346).

Fleet modernization and healthy dividend and net profit rates demonstrated that long-term operating profits were made. Between 1898 and 1913, gross operating profits on all USS operations increased 3.4 per cent annually, while the rate for the island trades was 4.6 per cent, reflecting a steady margin between earnings per ton and costs per ton and an expansion in the volume of business. In consequence, USS investment in the island trades

became as profitable as its total investment. A ton of shipping valued at £100 returned an average £26.7 in gross operating profits if employed in the islands between 1898 and 1913, compared with £26.4 if employed in other trades. Deducting standard USS allowances of 4 per cent of depreciated value for both overhaul and insurance costs, the gross rate of return (gross operating profits over depreciated value of shipping tonnage) averaged approximately 19 per cent in island and all trades. Deduction of depreciation charges of 5 per cent on historical costs clearly left a very healthy net return (USS). It was more than mere sentiment, then, which reportedly caused James Mills to speak of the islands, and particularly the Fiji, trade in eulogistic terms when visiting Suva in 1912 (*Shipping Commission, 1913*). Much was owed to the fact that the USS-AUSN conference held freight rates steady when world ocean freight rates fell as low as 62 per cent of their 1900 level (Lewis 1978a:281).

Praise could not be bestowed on all the island runs. USS management's itemization in its in-house Comparative Trade Reviews (USS) shows that the 18 per cent of shipping tonnage by value employed in the Tahiti-New Zealand and 'Fiji Cargo' trades earned 39 per cent of island trades' total gross operating profits, whereas the 64 per cent of tonnage on the Sydney-Fiji-Samoa-Tonga-Auckland run contributed just 37 per cent of operating profits. Moreover, the overhaul and depreciation charges on the large new steamers employed on the latter run swamped operating profits. The conspicuous loser in the island trades, however, was the Fiji-Melbourne banana run. The *Manapouri*'s gross operating profits averaged £5787 annually between 1899 and 1909, and fell on entry into the banana trade to an average £278 between 1910 and September 1913, when the £3652 operating loss for the financial year just ending finally determined USS management immediately to withdraw the vessel. AUSN's *Levuka* had fared better, showing an average gross operating profit rate on depreciated value of 14 per cent in the period May 1911 to June 1913, but depreciation, overhaul and insurance charges ate into this, and profits were hardly excessive (*Shipping Commission, 1913*). From a company perspective, it was fortunate that the Fiji-Melbourne trade occupied a relatively small percentage of shipping tonnage employed in the islands - 4 per cent in the case of USS.

USS management nonetheless sought to generalize the banana boat result in evidence before the Shipping Commission, certifying that from 1 October 1911 to 30 September 1913 USS steamers in the Fiji trade lost £11,359 after deduction of insurance and overhaul costs and £30,659 if depreciation was allowed for. Company accounts in fact show that the gross operating profit on all island trades in the period October 1911 to September 1913 was £71,700, and that the profit on runs with Fiji as a port of call was £60,284. Even after deducting 8 per cent of ships' depreciated value for annual overhaul and insurance costs and £19,300 for depreciation, the latter profit was £6900, or 3 per cent of the average value of tonnage employed. Company returns *were* down on

the previous six years — largely as a result of an increase in operating costs caused by wage rises — but they were not negative. The 8 per cent increase in the freight rate on general cargo to Fiji and the 25 per cent increase in the rate on banana exports, finalized in February 1914, were clearly designed to restore high pre-1912 levels of profitability.

The Shipping Commissioners correctly presumed as much, basing their judgment on a Fiji merchants' and planters' consensus that 25s, not 32s 6d, was a fair freight on general cargo, and on some supportive strategic comparisons. The deadweight freight set by conference for the Liverpool/Manchester to Sydney run was less than the Sydney to Suva rate; CSR had declined an offer of 12s 6d per ton of general cargo from Scott, Fell & Co. on grounds of satisfaction with USS, suggesting CSR was paying much less than 32s 6d per ton; and route-specific and operator-specific factors could not seem to account for rates 100-140 per cent higher per mile on Fiji-New Zealand runs than on New Zealand-Australia and New Zealand-Tahiti runs.

The merchants' self-confessed practice was to pass on higher freights to consumers, who were predominantly Indian. And though a freight rate of 37s 6d per ton moved Henry Marks to charter a steamer, 32s 6d drove neither him nor other merchants into abandoning rebate entitlements and shipping outside the USS-AUSN conference, for two reasons. First, tramp tonnage by definition was not regular and reliable, and therefore was more expensive than was apparent from freight rates alone: damage to cargo, for example, could outweigh the benefit of a cheaper service. Second, and more important, tramps were unsuitable for banana carriage. Poaching USS-AUSN inward cargo would have caused a banana freight increase, since inward and outward rates were set interdependently; and the resultant hindrance to banana export would have reduced merchant business. The banana industry was therefore compelled to absorb a rise in freights which threatened commercial ruin. The colony's largest banana shipper, the Fiji Fruit Company, convincingly claimed it had become a marginal operation overnight; and there was little prospect of profits for the European grower according to J.L. Hunt, banana planter and president of the Fiji Planters' Association.

Countering this, the USS Fiji agent claimed there were thirteen new banana shippers established between October 1913 and July 1914. Exhibiting unwarranted faith in both European economic rationality and the longevity of European enterprise in the tropics, he cited this as evidence of the banana industry's ability to absorb the increased freight. More pointedly, he observed that the Chinese, who handled 50 per cent of bananas exported, had not been asked to attend the Shipping Commission hearings. What was marginal for the European perhaps was profitable for the Chinese.

The prospect of Asians supplanting Europeans was one the shipping commissioners, true to the mood of the times, refused to face. Sharing Maynard Hedstrom's imagery, they saw white settlers in a strangling shipping company grip, a grip which had to be relaxed. Accordingly, the commissioners recommended legislation outlawing rebates, on the lines of Australian and New Zealand legislation which theoretically already made USS and AUSN liable for fines of £500 for each rebate offence committed in connection with the Fiji trade. With a view to eliminating cargo trans-shipment at Sydney, they recommended a £5000 annual subsidy for a three-monthly direct UK-Fiji steamer service, the money to be diverted from subsidizing the USS Vancouver mail service. As a means of assisting the banana industry, the commissioners suggested investigation of the Canadian fruit market's potential, and of the chances of attracting the United Fruit Company to Fiji. This vertically-integrated company dominated banana planting and export in the Americas, and ran a 'Great White Fleet' of forty-one steamers (Kepner and Soothill 1967:181). The solution to dependence on one large monopoly, then, was to be an invitation to a giant.

Collusion and curtailment: the interwar years

The Shipping Commission Report was completed in mid-1914. One year later, Fiji's Legislative Council, in committee, agreed that rebates should be made illegal; supported a subsidized UK-Fiji service in principle; and approved of any moves to develop a Fiji-Canada banana trade and to interest the United Fruit Company in buying and exporting Fiji bananas. Continuation of the £5000 subsidy for the Vancouver mail ships was correctly considered a necessary condition for maintenance of the service (*Legislative Council Debates* 1915; USS).

Only the hope of a direct UK-Fiji via Panama steamer was realized when, in May 1921, the colonial government signed a contract with the Commonwealth Government line. The first cargo shipment saved £2 10s per ton on the rate for freight trans-shipped in Sydney, a saving of growing aggregate importance as the UK share of Fiji's trade increased to the point where chartered vessels eventually replaced the government-subsidized service (*Legislative Council Debates* 1921; CSO F 2/45/10; MH). A colonial official's 1924 scheme for banana production and export to Canada proved to be quite fanciful, not least because the North American market was controlled by United Fruit — which had sent an inspector to Fiji who saw neither cause for investment there, nor reason to fear Fiji-based competition (Kepner and Soothill 1967:265; USS). The author of the handbook *Colony of Fiji, 1931* observed that 'shipping facilities [for bananas] leave a great deal to be desired', and that 'an opportunity presents itself for any large company interested in the fruit trade to enter the industry and develop banana growing on an extensive scale'.

Political forces similarly were ineffective in breaking the shipping conference and its use of deferred rebates. The P & O line held a controlling interest in AUSN through BISN and in 1917 bought all USS's ordinary shares, leaving management to the incumbents (Burley 1968:56; Waters 1952:77). P & O directors privately admitted the continued existence of a conference on the Sydney-Fiji trade - 'a rather pitiless shipping trust' the manager of Morris, Hedstrom Ltd called it in 1934 (MH). And it was common knowledge that merchants who shipped exclusively in conference ships would receive a 10 per cent rebate. Indeed, the USS-AUSN conference became stronger and more exploitative of its monopoly power after 1913. As early as 1925 the freight rate on cargo from Sydney to Fiji had reached 55s per ton (McKellar 1977:358), 69 per cent up on the 1914 level despite the fact that in 1920 began 'the worst and longest freight rate slump in the history of shipping' (Fayle 1934:294). But monopoly power was exercised over a much restricted domain.

Banana exports reached an all-time high of 1,773,000 bunches in 1914, with European output accounting for 39 per cent; and the uninsulated USS ships *Atua*, *Tofua* and *Navua*, and AUSN's *Levuka*, continued to carry bananas to Australia and New Zealand throughout World War I. Leaf-spot, or Sigatoka disease had become problematic, however, causing fumigation delays at loading and unloading. European growers and shippers also found that higher prices from bananas shipped in the *Levuka* did not offset losses from shipments in uninsulated USS vessels: the net loss on 181,000 bunches shipped in the first nine months of 1914 was 1s 7d per bunch, for example, and USS management steadfastly refused to introduce an insulated steamer. The decision was justified in management eyes when a hurricane in late 1914 reduced 1915 exports by 42 per cent, and prompted the closing of the Fiji-Melbourne service for the fifth time. In addition, grower-shipper disputes arose in May 1918 out of the Viti Company's attempts to usurp the European middleman role (see Chapter 3); and were followed by a cessation of shipping during the November 1918-January 1919 influenza epidemic. Compounding the difficulties, the first three shipments of the new year were cut too ripe and had to be written off (McKellar 1977:354-5; USS).

Not surprisingly, the European grower contribution to banana exports dropped, to 9 per cent in 1918: 'by 1919 many European planters were changing to pastoral farming and banana production was being left to the Fijian villagers and a small group of Indian farmers' (Twyford and Wright 1965:183). Then 1919 strikes on the Australian waterfront forced a temporary discontinuation of the Suva-Sydney service. Fiji banana exports fell 64 per cent from 1,691,000 bunches in 1918. The Australian market was never recovered, for in July 1921 the Australian tariff on imported bananas rose to a prohibitive level of about 2s per bunch, and Australian banana imports fell from 4000 tons in 1920-21 to 200 pounds in 1921-22. AUSN replaced the *Levuka* with the smaller *Suva* and never carried Fiji bananas again, aside from a 1924 shipment

which preceded an effective outright ban on Fiji bananas from April 1925 — Fiji having been identified as the source of Sigatoka disease discovered on Queensland plantations. USS replaced *Navua* with a pure cargo vessel, and thereafter carried approximately 550,000 bunches annually to the New Zealand market, which itself was restricted in the 1930s by import quotas (Usher 1943:51; McKellar 1977:356-8). The Australian tariff was reduced by the 1932 Ottawa agreement; but non-tariff restrictions were imposed, and Queensland growers threatened to blacklist fruitdealers handling Fiji bananas: 'nowhere were the effects of discriminatory action crowned with so much success at the expense of a colony' (Meyer 1948:126).

USS and AUSN had also lost copra cargo. The opening of the San Francisco market in 1914 permitted exporters to use sailing ships which brought timber and kerosene to Fiji, some of it for trans-shipment to Sydney in USS-AUSN steamers. More importantly, the bypassing of Sydney as a trans-shipment port after 1920 lost USS and AUSN substantial copra cargoes, since Australia and New Zealand together consumed only 14 per cent of Pacific island copra output and put the rest on British steamers bound for Europe. The Australian share of Fiji's exports fell from 21 per cent in 1915-19 to 6 per cent in 1920-24, while Australia continued to supply about half of Fiji's imports (*Fiji Blue Books*). This, and the death of the Fiji-Australia banana trade, forced withdrawal of one of the two-monthly Sydney-Suva steamers and an increase in freight rates to Fiji. Ships in ballast on the outward run from Fiji were a floating expense without earnings (Inter-State Commission 1917-18; McKellar 1977:356; CSR 2148).

Moreover, the imbalance of trade between Australasia and Fiji worsened in the late 1920s as imperial preference dictated a redirection of a secularly stagnant sugar export volume to Canada and Britain. In 1908-12, USS had carried between 54 and 70 per cent of Fiji's sugar exports — to New Zealand. Sixty-two per cent of Fiji's total exports still went to New Zealand in 1920-24, but the figures for 1925-29 and 1930-34 were 28 and 10 per cent, respectively (*Fiji Blue Books*). As in the Australian banana trade, lost business was never to be regained: CSR's sugar was carried to Europe and North America in the ships of Elder Smith Goldshrough Mort Ltd (USS; Moynagh 1981:250).

Trans-Pacific traffic similarly contracted. In the 1930s USS lost some cargo and many passengers to the more comfortable, faster ships of the United States government-subsidized Matson line. USS joined with the Canadian Pacific Railway Company to form the Canadian Australasian line as a means of meeting this competition. But the latter line received subsidies only one-quarter of those granted to Matson, and could not match Matson vessels for quality. The San Francisco and Vancouver services, which in the 1920s had made operating profits in excess of maintenance, overhaul, insurance and management charges, now made operating losses. Both

were terminated by 1939 (Burley 1968:252-6; Waters 1952:87-90; USS). The same fate already had befallen AUSN's *Suva*. It carried on for a time, picking up backhaul timber cargo at New Caledonia on its return from Suva to Sydney, but finally was withdrawn and sold in 1927. USS and AUSN then jointly ran a USS ship every three weeks from Sydney to Suva, reducing the service to a monthly one from August 1930 (McKellar 1977:359).

The USS-AUSN conference on the Sydney-Suva cargo service — though subject to some competition from the San Francisco Oceanic Steamship Company in 1925 — remained strong, and was the reason for the relatively high profitability of a run which, ton for ton, made USS's island trades more profitable than overall operations. In 1920-35, gross operating profits on the Sydney-Suva ship contributed 38 per cent of total USS profits from the island trades, and, before overhaul, insurance and depreciation, averaged 26 per cent of tonnage double pre-war values. The return on island trades in general was 17 per cent, while that on all USS trades was a low 10 per cent. But compared with 1898-1913, returns were well down on a declining business. In 1935, the value of USS shipping tonnage in the island trades and the profits the tonnage earned were 14 and 18 per cent of 1914 levels, respectively. Further, the USS island trades fell in importance relative to USS business as a whole. Whereas the former employed 7 per cent of total USS shipping tonnage and accounted for 10 per cent of total USS operating profits in 1914, they accounted for only 1 and 2 per cent in 1935 (USS). So although the shipping companies managed to extract monopoly profits from the carriage of Fiji's imports, six decades of Fiji's dependence on the companies ended with them needing Fiji less than they ever had done.

Conclusion

Throughout the period 1875-1939, USS and AUSN provided infrastructure crucial to Fiji's colonial economic expansion. They transported exports, imports, and passengers in steamers of increasing size and speed; and they did so regularly, frequently and reliably.

Concomitant with this constructive task, USS-AUSN eliminated price competition in the Fiji trade by collusion between themselves, by rate wars against rival lines, and by use of the deferred rebate system. Early in the twentieth century, the monopoly was complete, practically if not theoretically. Conference stability no longer was threatened from within by special discounts and underquotations. And the tramp steamer competition which effectively constrained conference rates elsewhere in the world was absent. Freight rates had to reach extremely high levels before Fiji's large individual shippers were prepared to abandon rebate entitlements and charter their own ships. The result was that the shipping companies' Fiji operations before

World War I were very profitable. Expressed as a percentage of value of shipping tonnage employed, USS's island trades returned a gross 19 per cent per annum in the period 1898-1913. The specifically Fiji business returned a net profit rate in excess of the 8-9 per cent recorded by CSR between 1902 and 1911 (Moynagh 1981:66).

The shipping company position was that the high freight rates underlying such profitability were essential to the maintenance of a quality shipping service at a steady price, which reduced uncertainty in international trade. The Fiji shippers' and merchants' argument, convincing in retrospect, was that the price was too high. Unrestrained monopoly power extorted freights in excess of the value of services provided. While world ocean freights went down, freights to Fiji stayed up.

But the external discipline of tramp steamer competition was absent because Fiji did not offer cargoes sufficiently attractive to ships from north of the line: in 1913, Fiji accounted for just \$US6.9 million, or 0.25 per cent, of the total world tropical exports of \$US2768 million (Stover 1970:49). The alternative to paying a high price for the USS-AUSN service therefore probably was to have virtually no generally available service at all. Nor was monopoly a sufficient condition for high shipping profitability. Profits were low in the banana trade, where monopoly power was greatest because of the shippers' need for fast transport in specialized ships. After 1920, contraction and redirection of Fiji's trade robbed USS and AUSN of export cargo to Australia. And severe competition on the trans-Pacific routes deprived USS of passengers. The shipping conference enforced large freight increases on Fiji's imports, which meant a relatively high return was earned on tonnage in the Sydney-Suva trade. But the return was well down on pre-war levels; and overall, the USS profit rate in the island trades after 1920 fell to less than half the level of the early twentieth century. USS-AUSN monopoly power was exercised in 1939 over a trade in which AUSN no longer ran its own vessels, and which was a negligible part of total USS operations.

From a Fiji resident's perspective, shipping monopoly continued to loom large, regardless of whether or not monopoly profits were earned. Three decades later, and three years after Fiji's political independence, it was shipping dependence and the possibility of monopolistic practice — not monopoly profits — which motivated those who sought to establish a regional shipping line for South Pacific economies (SPEC 1973). The basic concern over foreign economic domination was similarly reflected in simultaneous criticism — from a different local source — of Australian merchant companies.

Chapter 6

Merchant oligopoly

Exponents of the view that imperialism was and is economically retrogressive in Fiji find a large target in the merchant company Burns Philp:

THE EXPLOITATION AND MONOPOLISING EFFECT OF THIS AUSTRALIAN COMPANY IS THE ECONOMIC COLONIZATION OF FIJI. ALTHOUGH POLITICALLY INDEPENDENT, FIJI IS AN ECONOMIC COLONY OF AUSTRALIAN BUSINESS, AND BURNS PHILP HAS BEEN, AND STILL IS, A KEY FIGURE IN THIS PERPETUATION OF UNDEVELOPMENT (Rokotuivuna 1973:54).

The un- or under-development mechanism invoked is the neo-Marxist one, whereby market control is supposed to permit monopoly profit creation, repatriation to the metropolis, and reinvestment with a view to increased future profit repatriation. The colony is allegedly starved of investment funds, its development distorted, and its population consequently impoverished.

The purpose of this chapter is to substitute historical investigation for deterministic reconstruction, to focus on the market control, profitability and profit usage of merchant capital as part of an inquiry into the actual operations of business, rather than deduce what they 'must' have been from a universal model. A case study is presented of Burns Philp (South Seas) Co. Ltd during its first twenty years in Fiji, 1920-39, a period of depression when, it has been argued, the island companies 'if no one else, were still making profits' (Brookfield 1972b:251).

Merchant capital in the colonial economy

Fiji's rapid export expansion between 1875 and 1915, and the consequent growth of a money economy largely confined to the foreign trade sector, obviously depended on intermediation between producers and consumers separated in space. Over 60 per cent of total domestic exports were produced in the sugar sector of the colonial economy, where the pre-eminent producer, CSR, organized collection of cane through its own transport system, and shipped raw sugar output from its mills to its Auckland refinery, until

imperial preference dictated a redirection of sugar exports to Britain and Canada after 1925. Merchant activity was restricted therefore to the consumer goods trade with European sugar planters and Indian cane growers and labourers; though even this was less than it might have been since CSR imported over two-thirds of its Fiji raw materials, equipment, and consumer goods requirements in its own ships and, for a time, retailed to nominally independent European planters in addition to its tenants and employees (CSR 2135, 2148).

In the copra sector of the colonial economy, on the other hand, European planters and Fijians, who produced between 15 and 25 per cent of the colony's exports, generally lacked capital and effective sales organization, and therefore left shipment and selling of their relatively undifferentiated bulk product to merchant companies, on which they also relied for imports. Only larger-scale European planters prompted into combination by perceived merchant rapaciousness could contemplate independent marketing of output.

Collection of produce and distribution of consumer goods were organized hierarchically. Copra or coconuts were obtained from Fijians by itinerant traders or trade store owners who, in the late nineteenth century, were European. But as early as 1903 the Suva Chamber of Commerce discussed complaints from European storekeepers of Indian competition which, together with Chinese competition, had effectively driven the European country storekeeper out of business by World War I (Gillion 1962:157). From the small-scale storekeeper, copra was passed to the larger intermediaries in the port towns of Suva and Levuka. Plantation copra went direct to the latter on merchant companies' inter-island vessels.

Corresponding with the hierarchical organization of the copra export trade was a credit hierarchy which financed the flow of consumer imports. In the early twentieth century, six leading merchant companies wholesaled on credit to smaller companies, which in turn sold goods on credit to small stores, Fijians and European planters (Dalton 1919:19-20). The large companies also made advances direct to European producers against the security of plantation mortgages, the Bank of New South Wales and the Bank of New Zealand preferring to avoid this high-risk lending in favour of trade credit to the merchants themselves (BNSW, MH). The same policy was followed by merchant companies in the sugar districts, the credit structure's stability there depending ultimately on the solvency of the European sugar planter and, particularly after importation of indentured Indian labour ceased in 1916, of the Indian cane grower.

Burns Philp (South Seas): the beginnings

Burns Philp entered the trade and credit network founded on sugar and copra production as a successful tenderer for Fijians' 1895 tax copra, and expanded by implementing its traditional policy of taking over or merging with existing businesses (Buckley and Klugman 1981:76; Bolton 1967:116). At the end of World War I the port-town Levuka and Suva branches had a firm foothold in the import trade, marketed over one-quarter of the copra export crop, and were Burns Philp's largest and most successful operation in the South Seas. When, in January 1920, Sydney management decided to make a subsidiary company of its trading interests in Fiji, Tonga, Samoa, Gilberts (Kiribati), the Marshalls, New Hebrides (Vanuatu) and the Solomons, it was therefore natural that it be incorporated in Suva. Burns Philp (South Seas) Co. Ltd began with a paid-up capital of £750,000 — £270,000 allocated to Fiji — and high expectations: parent company management looked for future returns on paid-up capital of between 12.5 and 15 per cent, with 10 per cent regarded as a minimum acceptable return, given a net 8 per cent was considered returnable on safer alternative financial investment in Australia (*The 'Wild Cat' Monthly*, 7 Jan. 1928; BP).

Actual profitability, it was recognized, would depend on the performance of the firm's two basic accounts — produce and merchandise. Given the world copra price and collection, storage and shipping expenses, the critical factor in the produce account was the margin between the world and the local price: the greater the competition in the local market, the smaller the margin, and the less the coverage of the risk that the world price might fall between domestic purchase and final sale abroad. Merchandise profitability depended on markups on landed costs, which in turn were a function of trade competition; on turnover; and on the incidence of bad debts. Given competent management, staple income was the major determinant of sales and creditworthiness of consumers in both copra and sugar districts.

Ultimately then, Burns Philp (South Seas), in its efforts to realize the target profit rate, had to manoeuvre within, or seek to relax, constraints set by the international market, the structure of the merchant sector, and the economic behaviour of producers. The potential results of merchant ingenuity ranged widely: strong international demand for the staple, domestic monopoly or collusion in buying and/or selling, and a fairly price-insensitive import demand from producers whose total supply was relatively price-responsive, promised superprofits; a depressed staple market, significant domestic competition, and price-sensitive import demand from producers whose supply was relatively price-unresponsive, threatened losses. The volatility of the international market and the elasticity of demand and supply schedules had to be taken as givens, leaving any domestic competition as the potentially manipulable variable.

There was no shortage of oligopolistic competition. The paramount merchant company, Morris, Hedstrom Ltd, had a Sydney subsidiary, businesses in Tonga and Samoa, and fourteen major branches in Fiji drawing on a paid-up capital of £600,000. A.M. Brodziak and Co. and Brown and Joske were strong competitors in the copra export trade and in the wholesaling trade, where the long-established drapers Walter Horne and Sturt Ogilvie also featured (*Cyclopaedia* 1907; MH). And crucially, competition did not end there. Maynard Hedstrom, co-founder of Morris, Hedstrom, defined Nausori town as 'probably the most difficult place in Fiji at which to show a profit' (MH), not because of A.M. Brodziak and Co.'s competition, but because of Chinese and Indian country traders who worked on very small margins and because of competition from Asian merchant houses in Suva. Companies like V.M. Pillay and Bros, Patel Bros, Fong Sam, Jang Hing Loong, Kwong Tiy & Co., Kwang Sang, and Messrs Zoing Chong & Co. drew credit from the larger European houses and initially confined their operations to the retail trade. It required little imagination on the Europeans' part, however, to anticipate an extension of operations both geographically and to encompass the wholesale trade. As early as July 1921, prices of some retail items were reduced by Morris, Hedstrom 'considerably below actual cost - to meet competition' (MH).

Such competition did not augur well for future profitability, especially in the context of depressed and unstable world staple markets, and encouraged European merchants to protect profits through collusion. In the event though, notwithstanding collusive efforts, the first twenty years of the Burns Philp (South Seas) subsidiary's operations in Fiji proved a disappointment. Profits there fell further short of the minimum 10 per cent target level than did subsidiary profits as a whole; and parent company management was to wonder if Fiji's potentialities had been overestimated.

Surviving the 1920s slump

The year 1920 was the outstanding one of the interwar period. In the words of Morris, Hedstrom's general manager, 'business then made itself' (MH). But although the South Seas subsidiary recorded a net profit rate on paid-up capital of 13.7 per cent in its first year of operations, the Fiji branches returned only 9.3 per cent (Tables 6.1 and 6.2). This result partly reflected capital outlays on establishment and improving of storage and wharfage facilities, a loss on shipping attributable to overcapacity in the inter-island trade, and a cut in sales margins due to government price fixation in the wake of a 1920 workers' strike. Also, several thousand pounds of timber business with CSR had been lost after the latter found it could import direct at 60 per cent of the quoted merchant price (CSR 2149).

More serious still, competition in the local copra trade had been severe. Planters generally were, in the visiting Sydney

Table 6.1 Net profit of Burns Philp (South Seas), 1920-39

Year ending	Net profit (£)	Per cent of paid-up capital
31 December		
1920	102,846	13.7
1921	57,549	7.7
1922	4,192	0.6
1923	37,791	5.0
1924	51,272	6.8
1925	60,806	8.1
1926	56,725	7.6
1927	64,104	8.5
1928	65,141	8.7
1929	62,995	8.4
1930	60,489	8.1
31 January		
1932 ^a	56,695	7.6
1933	52,188	7.0
1934	38,058	5.1
1935	37,158	5.0
1936	42,754	5.7
1937	58,088	7.7
1938	65,145	8.7
1939	51,233	6.8
1940	49,352	6.6

^aThirteen months.

Source: *The 'Wild Cat' Monthly*, 8 June 1940, p.263; Burns Philp (South Seas) Co. Ltd, Annual Reports.

general manager's opinion, 'a keen and hungry lot, reluctant to sell locally unless they are offered more than the market parity' (BP). The principal planters of Taveuni and southern Vanua Levu had formed the Coconut [*sic*] Planters' Union to collect and ship their own copra. The smaller planters had formed the Fiji Planters' Association of Savu Savu in order to ship their own copra and to buy in competition with established merchants. This competition immediately disrupted a 50-50 market-sharing arrangement between Burns Philp and Morris, Hedstrom in the Wallis-Futuna and Rotuma trades; and, by late 1920, the two planters' associations had succeeded in diverting the greater part of plantation copra output from the two companies. The latter were left with copra tied to them by credit extension, and with 'free parcels'. Further, competition had increased while supply had dropped: hurricane and drought had reduced 1920 copra output to half its 1919 level. The result was that the local buying price was driven above London

Table 6.2 Burns Philp (South Seas): profitability of Fiji branches, 1920-39

Year ending	Profit (£)	Rate of return on capital (%)	
		Allotted	Employed
31 December			
1920	25,040	9.3	9.6
1921	6,347	2.4	2.4
1922	-882	-0.3	-0.3
1923	25,310	9.4	9.6
1924	23,092	8.6	8.7
1925	26,618	9.9	10.2
1926	12,858	4.8	4.9
1927	15,494	5.7	5.9
1928	21,006	7.8	8.0
1929	19,488	6.6	6.8
1930	8,563	3.2	2.9
31 January			
1932	-9,815	-2.6	-2.0
1933	381	0.1	0.1
1934	6,977	1.8	1.5
1935	6,580	1.7	1.4
1936	18,148	5.3	4.9
1937	30,036	8.5	7.6
1938	38,831	10.9	9.9
1939	24,244	6.8	5.5
1940	24,416	6.9	5.0

Note: See Knapman (1983:319-31) for full details.

Source: Managers' Annual Reports, BP.

and San Francisco prices and success in acquiring copra supplies became financial failure. Both Suva and Levuka branches of Burns Philp (South Seas) made losses on the copra account.

Anticipating a four- or five-year copra slump, and seeing no prospect of profit commensurate with risk in island produce ventures, James Burns, chairman of the parent company board of directors, looked to merchandising as the future more important and profitable account. Here, however, there were problems which would plague local and parent company management throughout the 1920s and 1930s. Boom euphoria had seen what Sydney management regarded as an orgy of overstocking and consequently slow stock turnover. There also had been what, by Australian standards, was a cavalier extension of credit, with the debt/sales ratio running at almost double the desired level. Burns warned local managers against tying up capital in slow-moving stock, and informed them that if Burns Philp should ever take up business as financiers,

it would be safer and more lucrative to advance and mortgage in Australia.

It was understood of course that extension of merchant business required some extension of credit. But in a world of uncertainty, the difficulty lay in deciding on how much (within the bounds set by downright recklessness). When export income in Fiji grew, competitive merchandising demanded wholesaling on credit. If Burns Philp would not grant it, Morris, Hedstrom would. Maintenance of export income promised business expansion with minimal bad debts. A fall in export income, on the other hand, meant reduced sales, unless more credit were extended. If it *was* extended and recession continued, the bad debt problem was compounded. If it was *not* extended and there was recovery, profitable business was lost, while in the interim overhead expenses swamped the gross profit.

Burns's anticipation of a relatively prolonged copra slump naturally encouraged a cautious credit policy which involved a readiness to sacrifice sales for solvency. Morris, Hedstrom was regarded as being in a dangerous position, because of its apparent policy of monopolizing country trade through relatively ready access to credit. Maynard Hedstrom himself admitted that his firm always had been 'slack' in its credit extension; and re-affirmed a prohibition on granting of credit to Fijians since 'we are satisfied from long experience that any firm which gives credit to Fijians in any way is courting ruin' (MH). But Hedstrom was willing to countenance a greater degree of vulnerability to depression as the price of future profitability: as his general manager observed fifteen years later, more thought had been devoted to credit than any other aspect of company business; but it had been agreed that severe credit tightening and the consequent loss of trade was unacceptable, and that the company if possible should put 30-40 per cent of profits to reserve against doubtful debts (MH).

In the event, export earnings — and consequently, merchant company sales and profitability — *did* slump in 1921-24, with only a halting recovery preceding the slide into the Great Depression. Burns Philp sales fell to a 1927 low of nearly half the 1920 level; the debt/sales ratio climbed; and the percentage of debt overdue more than doubled. As even 'solid' customers left accounts unpaid, local management produced a torrent of importunate letters and placed account after account in the hands of company solicitors, and Sydney management made the decision to restrict credit, and with it, sales. Morris, Hedstrom's £90,000 loss in 1921-22 (Table 6.3) compelled adoption of the same policy; and though Maynard Hedstrom stressed that it was pointless to drive debtors to premature bankruptcy (MH), merchant company solvency clearly dictated a *de facto* deflationary policy for the colonial economy since most traders and retailers were working almost entirely on company capital.

Table 6.3 Profits of Morris, Hedstrom Ltd, 1920-39

Year ending 31 March	Net profit (£)	Per cent of paid-up capital
1921	79,177	13.1
1922	-90,074	-11.3
1923	26,856	3.8
1924	50,092	7.0
1925	59,233	8.3
1926	66,670	9.3
1927	70,328	9.5
1928	73,515	9.9
1929	77,090	10.4
1930	73,276	9.9
1931	54,272	7.3
1932	27,254	3.7
1933	38,193	5.2
1934	34,272	4.6
1935	48,474	6.6
1936	56,686	7.7
1937	73,835	10.0
1938	85,097	11.5
1939	56,366	7.6

Source: *The 'Wild Cat' Monthly* 1 August 1925, p.251; 7 August 1926, p.229; 7 July 1928, p.321; 1 July 1939, pp.323-4.

Reduced export income, moreover, was a double-edged sword. Not only did it directly affect sales, raise debts, and thus further reduce sales through forcing a policy of credit restrictions; inasmuch as it resulted from a copra export price fall, it also caused losses on produce account as merchants bought dear and later sold cheap. In 1921, for example, both Burns Philp and Morris, Hedstrom bought copra at £28 per ton at the beginning of a period which saw the Fiji copra price fall from £30 to £13 per ton. Morris, Hedstrom lost £30,000 in four months (CSR 3106; MH). And again, competition tended to keep the local buying price up: planters' associations took advantage of new, direct steamer communication between Fiji and the United Kingdom via the Panama Canal at Sydney-London freight rates, and increased their share of the copra trade; Morris, Hedstrom engaged in what Burns Philp management described as 'foolish competition' for the outer western islands' copra supplies; and though a price for trade copra from the outer eastern islands had been fixed by agreement between Burns Philp, Morris, Hedstrom and a Chinese merchant, neither of the latter two was considered reliable. A Burns Philp inspector complained that Morris, Hedstrom was 'always expressing their good intentions of working amicably with us but these professions are

usually followed by some immediate breach of the spirit of any arrangement made' (BP). Burns Philp responded to the foolish competition in the west in kind, running a store at a loss with the sole purpose of driving the Morris, Hedstrom operation out of business.

In fact, it was not just one store which Burns Philp (South Seas) ran at a loss. The whole Fiji enterprise registered a negative return on capital employed in 1922 (Table 6.2); so it was hardly surprising that Burns Philp management showed no interest in establishing branches in the sugar districts of western Viti Levu when Morris, Hedstrom offered the lease of a store site in Ba, especially since self-confessed merchant profiteering in the war-time boom had induced CSR to resume retailing to its employees, European planters and Indian cane growers (CSR 2135, 2923, 3105, 3126, 3146; MH). Morris, Hedstrom's general manager was loud in his complaint that this hit the Chinese and Indian storekeepers to whom the company wholesaled, and in depressed times contributed to losses rather than to elimination of excessive profits: '[we] sit by and lament that the day when we may expect a return from our investment ... does not seem to be approaching any nearer' (MH). The same manager admitted, however, that more was lost from a one-month, widespread strike than from one year's CSR trading competition, and that 'the essential thing our ... Company needs is peaceful and prosperous conditions in the sugar districts' (MH).

James Burns's observation was that 'circumstances beyond our control', whether trading competition or economic depression, was not much of an excuse to give to shareholders, and still less of an excuse for managerial passivity. Surviving the slump required controlled reductions in credit and costs. And indeed, at the end of the 1920s, Burns would congratulate branch management for keeping a tight rein on credit and redirecting branch imports from Australia and New Zealand to the cheaper markets of Europe, the United States and the East. But it remained true that merchant profitability depended heavily on export prices which, in the case of sugar, dropped almost continuously down to 1930 and, in the case of copra, really only stabilized at post-boom levels until 1929.

Impetus therefore built up for the major European merchant companies to maintain a profitable world-local copra price margin by collusively fixing the local price. James Burns suggested that Burns Philp and Morris, Hedstrom should collectively oppose the expansionism which had seen Chinese firms capture the trade of Chinese retailers and traders, to the extent that they had a 25 per cent share of the Suva copra trade by 1926; and Maynard Hedstrom was sympathetic: 'If we cannot make any money for ourselves there is no firm we would sooner see make that money than B.P. & Co. and we are very anxious indeed that no feeling of competitive hostility should be aroused' (MH). Hedstrom recognized that in the long run it was more profitable for rival oligopolists to agree on stable prices than to engage in price wars. But

the Chinese firms and the Coconut Planters' Union were ready to outbid Burns Philp and Morris, Hedstrom, and did so when the latter reached a price-fixing agreement early in 1926. The margin between Suva and London copra prices fell by over £1 10s per ton within three days of the agreement's demise (MH). Additionally, the temptation to use price as an instrument for gaining a greater market share was ever-present; Burns Philp and Morris, Hedstrom management retained the mutual suspicion of oligopolists preoccupied with each other's *real* thoughts and intentions; and not even all European merchants shared Hedstrom's view of their interdependence. Burns complained that A.M. Brodziak & Co. 'do not consider us one fraction' (PMB no.154).

Frustrated, then, by the failure of a first attempt at collusion, Burns Philp management adopted a 'peaceful penetration' policy — cautious expansion with minimal capital outlay and risk, and with a clear eye for profit. The halting recovery of the late 1920s referred to above proved a permissive factor, for growth in the sugar export volume generated a demand to support a 1927 transition to retail trading by Suva branch, and Levuka branch proved successful in buying low and selling high as copra export volume expanded. Profitability improved from 1926 to 1928 (Table 6.2); and with the South Seas subsidiary's overall profitability restored to a level slightly above the next best alternative return (Table 6.1), reserves at £75,000, and £1 shares selling for 31s 3d on the Sydney stock exchange, Burns Philp management decided to open branches at the sugar towns of Lautoka and Labasa (*The 'Wild Cat' Monthly*, 1 June 1929). A third new branch was opened at Ba in May 1929; and a fourth in Rotuma in October 1929. These branches, like all the others, were expected to achieve viability as independent businesses, that is, to contribute to the Burns Philp (South Seas) dividend and the general reserve fund after making regular and adequate provision for bad debts and depreciation.

The 1929 financial results invited closure of the new branches. Burns Philp (Labasa) registered a heavy loss due to dishonest and incompetent management exacerbated by flood and hurricane damage to stocks. Burns Philp (Lautoka) and Burns Philp (Ba) realized gross profit margins which barely covered working expenses, Indian competition effectively breaking a Burns Philp-Morris, Hedstrom agreement on margins; and Burns Philp (Rotuma) confronted intense competition.

There had not been much for the parent company management to enthuse over in the first ten years of Burns Philp (South Seas) in Fiji. In the context of unstable export receipts exhibiting medium-term stagnation, and of strong competition in both copra and merchandise trades alleviated partially and temporarily by price-fixing agreements, Suva and Levuka branches had passed from brief health into sudden illness, and thence into a careful convalescence. The new sugar branches seemed sickly offspring. And the prognosis was that the international economic environment

of the 1930s would offer no easy profits. Writing in January 1930, James Burns evoked memories of a slump a decade earlier: 'It is a long time since we have entered upon a year with prospects so depressing' (BP).

The Great Depression

Reality matched expectation. Fiji's total domestic exports fell 86 per cent in 1929-31; and even after a 1932 sugar-led recovery, exports in 1934 remained 16 per cent below the lowest level of the preceding decade because of an almost continuous drop in copra exports (*Fiji Blue Books*). A catastrophic fall in the copra price in 1933-34 made 1934, in the chairman's estimation, the most disastrous year experienced by Burns Philp (South Seas), at least since 1922-23: the rate of return on paid-up capital had fallen to 5 per cent from 8.4 per cent in 1929 (Table 6.1).

The return on merchant capital in Fiji was even poorer. The rate on capital employed in the Burns Philp branches fell from 6.8 per cent in 1929, became negative in 1931, and did not reach 2 per cent in 1934 (Table 6.2). Sturt Ogilvie & Co. could not pay a dividend in the financial year March 1930 to March 1931. Nor could Brown and Joske, which earned profits of only 3.2 per cent on capital employed during that year, and which failed to pay a dividend until March 1935. Morris, Hedstrom's profits were also at their lowest levels since the 1921 slump (Table 6.3). Again it was clear that the companies at the top of the credit hierarchy could no more break the links which bound them through retailers and traders to producers, than they could banish the effects of oversupply and world depression on primary product prices. At worst, the essentially dependent nature of merchant business made depression fatal: 500 Indian traders went out of business, and one of their principal creditors, A.M. Brodziak & Co., went into voluntary liquidation on 29 November 1929 (Qionibaravi 1964:63; Supreme Court of Fiji, Bankruptcy Action no.1, 1930).

Had some Burns Philp branches actually been the independent businesses parent company management expected them to be, had they not been bailed out by interest-free advances from the parent, they too might well have been compelled to liquidate. Burns Philp (Rotuma) and Burns Philp (Levuka) made large losses as what James Burns called 'ridiculous competition' swamped Burns Philp-Morris, Hedstrom collusive efforts, and thus exacerbated the effects of depression: 'it would seem that the White interests are becoming subservient to the Black, and the natives must have a quiet laugh (if they have any sense of humour) when they find the White firms "cutting off their nose to spite their face"' (BP). In four years, Burns Philp (Levuka) passed from a position as a major, and more profitable, branch to a minor position as the most unprofitable branch, exhibiting high overheads, a high debt/sales ratio, and a low turnover rate. Its transformation mirrored that of Levuka

town itself, which in February 1933 'with so many empty and dilapidated stores and shops, has every appearance of being in a fairly rapid decline' (BP). One year later, shipping and trade operations outside the immediate Levuka trading area of Lomaiviti were transferred to BP (Suva). It was the end of Levuka as a distribution centre of importance, and a time of reassessment for both Burns Philp and Morris, Hedstrom, as Maynard Hedstrom told his board of directors: 'To some extent we may say that in the past the Company has "backed the wrong horse" and put too much money into coconut districts. Under present day conditions we must look for our profits to Suva and the sugar districts' (MH).

In the sugar districts, the basic external constraints on profitability – that is, the income flow from sugar cane production and the incidence of merchant competition – had been tightened rather than relaxed during the Great Depression. The 1929–31 slump in sugar exports brought stagnation or a decline in sales and a simultaneous increase in overdue debts; and gross profit margins were kept down by primarily Indian competition. In Labasa, by 1935 there were nine companies holding wholesale/retail licences (Burns Philp, Morris, Hedstrom, six Indian companies, and one Chinese); seventy-nine retail licence holders, despite CSR's closure of its estate stores by February 1932; eighty hawkers; and two holders of wine and spirit licences. Burns Philp's branch inspector found that 'The competition among the Wholesalers ... has reached unbelievable limits for such an isolated district' (BP). Indian wholesalers operating on lower overheads accounted for 70 per cent of non-CSR imports into Lautoka; and at Ba, Burns Philp confronted price competition from Morris, Hedstrom. Reports from the sugar branches during the depression years therefore took on what James Burns described as a 'dreary sameness'. Managers blamed losses or profit rates below 5 per cent on capital employed on competition and the depression, and promised to do better next year. Burns admitted that 'Any combination of interests amongst the White firms would be rather futile in Fiji while you have the Indians and Chinese always ready to step in and take trade at a very low rate' (BP). He complained there was no likelihood of colonial government 'protection' from Indian/Chinese competition. Nevertheless, it was the policy of the parent company not to retire from a field because of competition. Indeed, it had run to meet it when, in October 1931, a seventh branch was opened in Sigatoka to the welcome of price-cutting competition from Morris, Hedstrom.

It was also the policy of the parent company to adapt to depression, not to magnify its effects through managerial inefficiency. Burns insisted that profits had to be made, no matter how bad the times were: 'The Company in the past has paid too dearly for inexperienced, careless and incapable management' (BP). A spectacular example was of a manager of Burns Philp (Lautoka), who, after many conspicuous lunch-time sprints down Lautoka's main street in the company car, finally crashed it. The episode exaggerated a truth in the general manager's view:

There seems to be something about your locality which is inimical to the mental and moral fabric of our Managers, because ... Inspection Reports on both Lautoka and Ba Branches disclose a remarkable indifference for the interest of the Company, and some of its important connections, and an absence of a sense of duty and responsibility, in addition in many instances to an absence of ordinary common sense. Whilst you may consider this criticism somewhat severe, we can assure you that it is a considerable modification of our true feelings ... we should much prefer it if you would now retire on your laurels and live henceforth in the reflected glory of your past achievements in speed and destruction (BP).

Branch management was given the perennial reminder to restrict credit — 'we cannot afford to act as a philanthropic institution for the Planters and Traders' (BP) — to prevent overstocking, and to improve margins by utilizing to the full Burns Philp's ability to buy for cash in world markets. Those managers who made branches 'graveyards for unfilled promises' on these matters were replaced — at Lautoka, Rotuma and Labasa, where the first branch manager to speak Fijian and Hindustani was appointed in February 1934. Staff salaries were reduced from October 1931, as were Morris, Hedstrom's; and Burns Philp (Suva) began overseeing all Fiji branch operations in order to overcome the 'disjointed manner' in which Fiji business was run (BP; MH).

Above all, though, the depression created a need to conserve capital. The South Seas subsidiary branches in Fiji in 1932 had borrowed almost £100,000 in interest-free loans from Burns Philp & Co. to supplement capital allotted to them of £380,000. Protection of this investment when the level of economic activity was low demanded a reduction, even an elimination, of competition, or amalgamation of businesses, such as Morris, Hedstrom's absorption in 1933-35 of its subsidiaries Morris Hedstrom (Lautoka), the Fiji Shipping Co., and Hjorring & Bailey (timber merchants of Levuka), and its reduction of trading stations.

In merchandising, as noted above, possibilities of effective collusion between European merchant companies were limited by Indian and Chinese competition which, with the opening of the northern Suva-Lautoka-Sigatoka road link in the mid-thirties, became more severe: for now Indian and Chinese firms could purchase goods in Suva, transport them to Lautoka and then Sigatoka where landed costs were higher and, costing road transport at zero, undercut European merchants. Burns Philp and Morris, Hedstrom did agree on a common pricing policy for a few bulk grocery items which offered only moderate margins; and with Marlow's Ltd and Brown and Joske they worked on mutually agreed schedules of prices and terms for tyres and tubes and timber sales, Burns Philp and Morris, Hedstrom importing timber direct from the United States on their chartered copra steamers (MH). But the timber agreement was

aimed at keeping sales margins just below the level at which CSR would again find it cheaper to import timber on its own account, so there was no opportunity for artificially raising the domestic price above the c.i.f. import price.

Sharp practice did occur where opportunity arose. When in 1932 tariffs were increased, Maynard Hedstrom instructed his branch managers: 'As regards your stocks on hand, try, as far as competition and a reasonably discreet attitude towards your customers will permit, to get the increased value' (MH). And when the Fiji pound briefly devalued against the Australian pound in early 1933, there was another instance of a price-fixing agreement between the major European merchant companies. Goods purchased prior to the devaluation were costed and priced at the post-devaluation exchange rate in the hope that sales revenue gains would more than offset any restrictive effect on sales volume. This was a once-for-all gain though, and with the stabilization of foreign exchange rates after January 1933, the agreement lapsed.

In the event, the need to reduce competition in the sugar districts was alleviated somewhat by a moderate and stable increase in sugar exports between 1934 and 1939, and by the discovery of gold at Tavua. Gold became Fiji's second major export by 1938, earning twice as much as copra in the period 1936-40, and injecting half as much export income as sugar (*Fiji Blue Books*). Morris, Hedstrom obtained the agency for the dominant Emperor mining group. But Burns Philp (Suva) got the business of two smaller companies; and Burns Philp (Lautoka) and Burns Philp (Ba) tapped into the income flow generated by gold production successfully enough to return an average 10.5 and 6.3 per cent, respectively, on capital employed between February 1933 and January 1940, compared with 5.1 per cent for all Fiji branches. Competition continued to be heavy in Labasa, however, and in Sigatoka where five Indian wholesale stores, Morris, Hedstrom, Burns Philp, and W.H. Michael & Co. (in liquidation) financed 117 retail stores within a two-mile radius of the town centre. The average rate of return for Burns Philp (Labasa) in 1934-40 was just 2.6 per cent on capital employed, while Burns Philp (Sigatoka) failed to record a profit (BP).

Meanwhile, keen competition in the local copra market had restored an appearance of European merchant company dominance of overseas copra sales. Chinese firms incurred substantial losses during the early 1930s, and borrowed heavily from Morris, Hedstrom and the banks. Financial dependence in turn implied trading subordination to the European merchant companies, for the latter provided finance on the understanding that they would receive 'a large share' of the Chinese companies' trade (MH). As early as 1932, the latter shipped only 4 per cent of Suva's copra exports. Nevertheless, the simple fact remained that Chinese firms, through their trading stations and commissions to smaller traders,

captured copra supplies by bidding up the local price. Regardless of the Chinese firms' 'obligation' to channel these supplies through European merchant companies, the companies had to buy the supplies if they wished to forestall independent overseas sale; and they had to buy at the market price set higher because of the Chinese presence. The alternative was a shrinking share of the export trade so long as the Chinese stayed in business. The short-term consequence of avoiding contractions in market shares was unprofitable copra trading. Morris, Hedstrom's general manager admitted privately to losses for both Hedstrom and Burns Philp of between 12s 6d and 16s per ton on copra purchased from Chinese firms in late 1932 (MH); and 83 per cent of copra purchases by Burns Philp (Suva) between 1931 and 1933 inclusive came from Chinese suppliers (BP). Not surprisingly, Burns Philp and Morris, Hedstrom sought means of widening the margin between local and world copra prices.

Controlling competition in the local copra market meant regulating the free copra market supplied not just by Fijians selling to Chinese, but also by Taveuni planters who were not members, or not active members, of the Coconut Planters' Union: annual output of sixteen major Taveuni plantations was around 6000 tons, 39 per cent of average annual copra exports from Fiji in 1931-32; and approximately half of this output was sold through the Union, leaving 3000 tons of free copra (PMB no. 152). It was this 3000 tons which was covered by the first copra agreement reached between Burns Philp and Morris, Hedstrom in January 1934, an agreement arrived at with hesitation, for Morris, Hedstrom's general manager had observed three months earlier that 'too evident co-operation between Burns Philp and ourselves would lead to the development of another competitor. I have come to the conclusion that, for good or for ill, we have to preserve a reality of competition between Burns Philp and ourselves, in order to keep things reasonably quiet' (MH). Collusion was compelling, however, and with the aim of securing a better margin on the buying price, the two companies agreed to share the Taveuni trade on a 50-50 basis, initially excluding Brown and Joske on the grounds that its role as managing agent for the Coconut Planters' Union could not be reconciled with membership. Later in the year, cooperation was extended to include joint Burns Philp-Morris, Hedstrom shipment of copra in Redriaktiebolaget Transatlantic vessels. A more frequent and regular shipping service was anticipated, and freight concessions from larger loadings obtained, with the additional benefit that Morris, Hedstrom and Burns Philp now avoided landing large cargoes in London simultaneously for sale through competing vendors (MH).

Brown and Joskes' exclusion from the market-sharing agreement of course prevented its effective implementation and an improved margin, for Brown and Joske simply bid against the collusive firms in an effort to acquire a large share of free copra. So, in the hope that Brown and Joske could compartmentalize its roles as Coconut Planters' Union agent and merchant trader and prevent

confidential information flowing to Union members, Burns Philp and Morris, Hedstrom made Brown and Joske party to a new agreement, effective from March 1935. Taveuni free copra, and now the copra offered by the three major Chinese firms, were to be purchased at a fixed price, pooled, and shared equally between the three European companies. Burns Philp's branch inspector argued that within the year the market for free copra was 'practically non-competitive'. The buying margin in the unstable market of 1931-33 had been around £4 per ton between the London fair merchantable sundried (FMS) rate and the local buying rate. As world copra prices recovered and the copra agreement prevented a proportionate rise in local prices, the margin increased to reach the favourable rate of £6 5s per ton in early 1937. This transformed marginal copra trading into profitable trading since, typically, freight, insurance, brokerage and handling charges added to no more than £4 per ton.

But the market control of the big three was not complete enough to improve margins without losing copra supplies. During the first year when the copra agreement came into force and the European trinity sought to increase buying margins, two Taveuni planters and the Chinese firms, now borrowing from the Bank of New Zealand to reduce indebtedness to European merchants, diverted 2000 tons of copra for direct sale in the United States market (WH). Burns Philp management was confident the diversion would be temporary; but it continued, its effect exacerbated in 1936-37 by a large increase in freight rates to Europe (where European merchants shipped) relative to freight rates to the United States (where Chinese firms and independent planters shipped). On both Morris, Hedstrom and Burns Philp private calculations, copra trading was unprofitable again by early 1938, despite a reduction of freight and other charges because of joint charters (MH; PMB no. 154). Maynard Hedstrom argued a 'short sharp war' was necessary to show the Chinese they could make more money with Morris, Hedstrom and Burns Philp than against them. The companies accordingly agreed 'to force the copra price to an unprofitable level with the ultimate aim of arriving at an agreement with the Chinese to purchase their copra on a basis which would return to both buyer and seller a small margin of profit' (BP).

Within a matter of months, the objective of collusion was realized. Agreement was reached for Burns, Philp, Morris, Hedstrom, and W.R. Carpenter (now the owners of Brown and Joske) jointly to buy copra from the principal Chinese firms at £3 per ton under the London price; and since purchases were made in Suva, and the big three did not have to cover outer island-Suva handling, cartage, shrinkage, sacks and risk costs which added about £1 per ton, there was room for a profit, on Burns Philp figures, of upwards of 10s per ton. Moreover, during the brief period before the outbreak of the world war, the new copra pool agreement proved itself effective in continuing to eliminate the former relatively unprofitable competition amongst the major European buyers without reducing copra tonnage exported by them.

Merchant muscle had been flexed to good effect as far as the merchants were concerned.

Still, merchant power was exercised over a moribund copra economy. A Burns Philp branch manager had observed early in the 1930s that Fiji had a formidable and unenviable list of past failures to its discredit — cotton, coffee, tea, cocoa, rubber and sisal hemp among them. At the end of the decade, copra too seemed a forlorn hope to those planters for whom the merchant companies' copra agreement simply meant another factor keeping price below costs of production. As the planters were hastened into bankruptcy, Fijians retreated into the subsistence economy, and the unprofitability of Burns Philp (Levuka) consequently was confirmed. In 1920 the branch accounted for 55 per cent of total sales in Fiji, and earned 54 per cent of total profits. In 1939, the respective figures were 4 per cent and zero. By then, Burns Philp's profits came predominantly from merchandising in Viti Levu, particularly in Lautoka and Ba. Burns Philp (Suva) benefited from the sugar recovery, gold export expansion and public works expenditure, contributing 56 per cent of total profits in Fiji in the last financial year of the decade, 75 per cent of which came from merchandising. Burns Philp (Lautoka) and Burns Philp (Ba) contributed 38 per cent of total Fiji profits (BP). Even though in Hedstrom's estimation Asian competition had 'destroyed' the wholesale trade, leaving only bulk goods wholesaling on low margins (MH), it was these branches which suggested to James Burns that more money could be made in Fiji than by investing in Australian government bonds. The all-round performance in the first twenty years of Burns Philp (South Seas) in Fiji was hardly as encouraging.

Conclusion

This chapter began with the statement of a contemporary view that merchant capital in Fiji earns, and has earned, excessive profits through market control; and that repatriation and re-investment of these profits have caused the 'development of under-development'. The aim of the subsequent empirically-based examination of Burns Philp (South Seas) Co. Ltd in Fiji between 1920 and 1939 was to contribute to the understanding of the actual, as opposed to the supposed, functioning, market control and profitability of merchant capital.

The general conclusion is clear, and is supported by the independent research of Buckley and Klugman (1983:307). Mere size and a conspicuous public presence in a small colonial economy were no guarantee of market control and high profit rates. First, European merchant companies had to take world prices for export and import goods as given, and adjust their own prices and costs accordingly. Second and related, their sales depended on export income and therefore on the vagaries of world markets

and domestic supply. Third, the oligopolistic nature of the domestic export and consumer goods markets, and especially the presence of some large Indian and Chinese firms, assured competition which kept buying and selling margins well below monopoly levels. There was collusion between the European merchants on the pricing of some merchandise, and collusion arose in the copra trade in the 1930s; but it arose in response to the effects of competition in a depressed market, it did not cover the whole copra market, and it could not preclude independent marketing of copra. Profits, though higher than in the more competitive situation, therefore could not become excessive without jeopardizing the effectiveness of collusive agreement.

There were substantial grounds, then, for Burns Philp management's contention that profits in Fiji had not been commensurate with the real and considerable risks in both copra and merchandise trades, and that the company would have been better off investing in Australia. Burns Philp (South Seas) Co. Ltd's profitability fell short of the target minimum of 10 per cent on paid-up capital set at its creation: over the twenty-year period 1920-39 the average dividend rate was 6.1 per cent and the average profit was 7.2 per cent, compared with 7.1 per cent registered by Morris, Hedstrom in 1921-39 (Tables 6.1, 6.3). The return on all branches in Fiji averaged just over 5 per cent, whether on capital allotted or capital employed (Table 6.2), with only Burns Philp (Lautoka) reaching 10 per cent (BP). Hence the complaint by the Group Manager that a 1940 increase in company tax from 1s to 1s 6d in the pound 'will seriously reduce the already meagre earnings the Company's capital has been able to make in Fiji' (BP). And hence the unhesitating investment of profits overseas — mostly in Commonwealth of Australia Treasury bonds at 5 to 6 per cent, but also in New Zealand government securities (4½-5½ per cent), and company shares like the 9 per cent preference shares of Jantzen (Aust.) Ltd. Investments in Fiji outside of branch business were confined to a few Morris, Hedstrom and Brown and Joske ordinary and preference shares. As the indigenous capitalist, Maynard Hedstrom, observed: 'It is very difficult to interest Capitalists from Australia or New Zealand in Fiji ventures' (MH). Only he, who was born in Levuka in 1872, was a member of the Legislative Council, and remained committed to the goal of white settler development, personally investing domestically on a substantial scale beyond his merchant business (which was 60 per cent foreign-owned by 1931).

Large profits were made elsewhere in the Pacific, where there was less (Asian) competition: Burns Philp made an average annual 38 per cent on capital in Tonga in 1929-32 (BP); and W.R. Carpenter & Co. Ltd — ultimately to take over Morris, Hedstrom — made an average 14 per cent in 1923-37, largely from New Guinea and the Solomons (*The 'Wild Cat' Monthly*, 6 Aug. 1932, 2 Oct. 1937). But Burns Philp (South Seas) in Fiji, like British merchant companies in Ghana which also failed to make large profits (Howard 1978:106-8) would have to wait for postwar economic growth to

boost profitability. In the meantime, low profits added fervour to the merchant case against currency devaluation as a response to the Great Depression.

Chapter 7

Monetary dependency and the political economy of exchange rate policy

Fiji's late-nineteenth and early-twentieth century development as a British colonial outlier of the Australian and New Zealand economies entailed, and was facilitated by, the establishment of branch operations of Australian and New Zealand banks. The Bank of New South Wales (the Wales) and the Bank of New Zealand (BNZ) concentrated on meeting the short-term capital requirements of the major trading and planting interests. And they freely exchanged foreign currencies for local currency at rates which they determined. Both during the heyday of the international gold standard from 1880 to 1914, and during its rather shaky restoration in the 1920s, this meant in practice that buyers and sellers of foreign exchange could rely on a stable exchange rate regime under which one Fijian pound bought one Australian pound, one New Zealand pound, or one pound sterling. There was no more succinct expression of Fiji's integration into the world economy.

Equally, there was no clearer indicator of crisis in the world economy and its effect on the colonial economy than monetary disintegration. From late 1929 to early 1931, the Wales' general manager initiated devaluations of the Australian, New Zealand and Fiji pounds against sterling. For two years, the Fiji exchange rate stayed at £F111:£stg100. Then, early in 1933, the Wales and the BNZ challenged the almost universal belief that departure from parity with sterling was temporary and soon to be corrected (Giblin 1951:202). They announced another devaluation of the Fiji pound — to £F125:£stg100, the going rate for the Australian and New Zealand pounds. But while the banks' case for a further devaluation was accepted in Australia and New Zealand, in Fiji the banks and an ineffectual European copra planter lobby were frustrated by the combined opposition of government, merchants and the sugar export monopoly, CSR. From March 1933, £F111 again exchanged for £stg100.

This chapter uses the conflict over Fiji's exchange rate during the Great Depression as a case study in colonial political economy. It shows how the choice of exchange rate was determined by what Schedvin (1970:9) — writing of Australian policy-making at the time — calls 'the strategic strength of the respective parties and the institutional support at their command'. It

discusses whether or not might was right, that is, whether or not exchange rate policy was founded on sound economics. It concludes that, right or wrong, government unwillingness to accept further devaluation in 1933 as a means of dampening the impact of international depression on Fiji, and its exceptional legislative provision in 1934 for a future return to parity with sterling, provided yet another instance in Fiji's colonial history of the political impotence of the white settlers.

An overview of monetary development, 1875-1939

Exchange and marketing in pre-Cession Fiji were restricted by the absence of a reliable, homogeneous currency supply and by the absence of banks. Both the Wales and the BNZ had turned down 1872 invitations to open in Fiji, the latter's charter not permitting operations in foreign territory. But the BNZ's directors and leading shareholders established a local bank, the Fiji Banking and Commercial Company, in July 1873; and when Fiji became British territory, the way was clear for the BNZ to take over what effectively had been a subsidiary. This was done in mid-1876 on the grounds that a bank in Fiji needed greater financial strength to meet competition, and that a BNZ presence in Fiji was essential to the maintenance and increase of New Zealand's share in Pacific islands trade. A second BNZ branch was opened in Suva in 1881 (BNSW; Ross 1964:93-9; Chappell 1961:91; Griffin 1976).

The BNZ banking monopoly quickly earned a reputation as an extortionate lender and meddler in government affairs, which added a special urgency to government efforts to attract a second bank (Ross 1964:102-3; BNZ 010.02.45; BNSW GM203/70). Banking competition did not eventuate, however, until CSR agreed in 1880 to establish Fiji's first large-scale sugar mill and offered the Union Bank of Australia its Fiji business. A branch was opened at Levuka in December 1880 (and closed in 1886), and another at Suva in January 1883. The effects were immediate: rates on advances fell, and although the BNZ retained the government deposit account until 1890, government channelled more than half its other business through the Union, with BNZ profitability suffering accordingly (Butlin 1961:247-8; Ross 1964:103-4; BNZ 010.02.45). Predictably, there arose what the Colonial Secretary (CSO 1016/1892) called an 'iniquitous combination' between the banks, readily entered into by a Union Bank now suffering the effects of the early nineties banking crisis in Australia. However, agreement on interest rate payments and bank charges in Fiji could not save the Union. An economy drive in the wake of the banking crisis included widespread closure of Union Bank branches, and Union withdrew from Fiji in 1895 on the understanding that BNZ would withdraw from Newcastle in New South Wales (Butlin 1961:314).

Union had lost a crucial account when, in 1894, CSR terminated its arrangement to conduct Fiji business with Sydney in favour of one with the BNZ in Auckland. The CSR-BNZ agreement commenced in July and continued substantially unaltered until the Great Depression. Throughout this period, CSR mill expenses, advances, and sugar cane payments in Fiji were met by orders drawn on CSR's Auckland sugar refinery, the chief destination for the colony's raw sugar exports until the mid-1920s. Mill managers presented orders to BNZ branches in Fiji, which purchased them at par and forwarded them to the BNZ head office in Auckland, where the BNZ was paid the face value plus a 0.5 per cent commission by the CSR refinery manager. Initially, about £stg200,000 annually was paid out of a total of around £stg250,000 in CSR Auckland funds, leaving £stg50,000 for remission to Sydney free of exchange costs under the agreement. By the late 1920s, CSR's Fiji payments had grown to over £stg700,000 (BNZ 010.02.41; BNSW GM-CI 302/1341-1347/3; CSR 1088, 2933).

The BNZ's regained banking monopoly was shortlived despite its capture of the business of Fiji's paramount exporter. In June 1901, the Wales board of directors decided to gain a foothold in growing Fiji-South Pacific-Australasia trade by opening a Suva branch (BNSW Board Minutes). The BNZ general manager felt there was insufficient room in Fiji for two banks and contemplated selling out to the Wales. But the BNZ board took a longer view, and the bank remained in Fiji to face anticipated competition (Ross 1964:105). In fact, the Wales general manager had told the first manager of the Suva branch that 'we desire to be conservative and to work with the Bank of New Zealand as far as possible' (Holder 1970:511); and whereas the branch manager considered the BNZ's deposit rates too low and its advance rate 'rather usurious', head office saw no grounds for improving on BNZ rates to any large extent, preferring a low-key, gentlemanly incursion into mercantile and short-term agricultural lending by means of geographic extension. Wales management opened a branch at Levuka in 1909 in order to get into the profitable copra business, and one at Lautoka in 1910 in order to benefit from sugar growth. With agencies of the Lautoka branch established at Ba in 1929, Tavua in 1935, and Nadi and Vatakoula in 1938, the Wales' reach was greater than the BNZ's (BNSW GM 214/1, Half-yearly Reports).

The two banks constituted Fiji's banking system until the post-World War II period. They were the only financial intermediaries meeting the credit needs of expatriate business. They organized the importation of the British silver and copper coins which replaced the heterogeneous coin supply of pre-Cession Fiji. And they supplied a small amount of paper currency defined in terms of sterling and kept stable in terms of sterling, until this function was taken over by a Board of Currency Commissioners established in 1913.

The currency board system was, in its Empire-wide essentials, simple. The commissioners were obliged to exchange local and

international currencies at a fixed rate; and to ensure foreign currency demands could always be met, they were required to maintain a reserve of 110 per cent of the local note issue. The level of Fiji's money supply therefore became a function of the balance of payments in that surpluses led to money supply growth and deficits to contraction. Bank lending policy and the public's propensity to hold cash were additional determinants; and whatever the payments balance, the banks could draw reserves from head office and thus expand the cash base. In practice, however, the currency board system's operations in Fiji were not so simple. Whereas British colonies generally established functioning sterling exchange systems, Fiji adopted a gold exchange system which never actually worked in the manner prescribed by law. Though government notes were legally redeemable in gold, and were to be secured by a reserve of gold (two-thirds) and sterling securities (one-third), the suspension of the international gold standard during World War I, and the subsequent failure of Fiji officials to lift the gold export ban which suspension had entailed, made convertibility into gold insubstantial. Complication rather than reform followed when a 1922 ordinance empowered the Governor in Council to declare notes inconvertible from time to time, and introduce provision for redemption in silver; and when the Currency Commissioners began issuing notes against sterling drafts on London or – if gold reserves fell below 20 per cent of the note issue – against payments one-fifth in gold and four-fifths in sterling drafts. Fiji was effectively on a sterling exchange system without legal foundation, while currency notes could not in practice be surrendered for gold, as 200 Ba Indians found in 1920 (Clauson 1944; CO 83/193, 83/201; CSR 3105).

The major consequence of the fundamental irregularity of Fiji's monetary system was pinpointed in a retrospective assessment by an anonymous British banker (*Monetary Systems* 1948-49:44):

As the law which was designed to maintain a fixed value for the currency had been rendered nugatory, the determination of the currency value rested in practice with the ... local branches of the Bank of New Zealand and the Bank of New South Wales. Not unnaturally, these banks were greatly influenced by the course of events in their respective countries ...

And events in 1929-31 caused the banks to break with the long tradition of sterling parity.

Australia, New Zealand and Fiji in the Great Depression

Australia and New Zealand, along with Argentina, Brazil, Bolivia, Spain and Uruguay, went into depression before the rest of the world because of their export dependence and the fact that a sharp drop in their primary product export prices

preceded the October 1929 Wall Street crash. The fall in export earnings between 1928/29 and 1932/33 exceeded 50 per cent in every country and produced a common policy response (Kindleberger 1973:99-100; Triantis 1967:7-9). Exchange depreciation in the periphery began the formal disintegration of the gold standard, that 'barbarous relic ... remote from the spirit and the requirements of the age' and already replaced in practice by a non-metallic standard (Keynes 1971:138).

In the Australian case, the gold standard was abandoned in December 1929, and tariff revisions begun soon after which ended with a 1931/32 tariff on British goods 80 per cent above the pre-depression level. Quotas and outright prohibitions were also introduced; and the banks rationed foreign exchange. Meanwhile, an outside market developed in which the Australian pound depreciated. The telegraphic transfer rate on London went to £A101 in late 1929, to £A102 in January 1930, and to £A106 in March (Copland and Weller 1935:86-8; Schedvin 1970:8, 114, 125).

Influential support for depreciation came from A.C. Davidson, general manager of the Bank of New South Wales. Arguing that banks had to retain control of the exchange market which had been lost only because the market had not been allowed free play, Davidson was instrumental in bringing the official Australian-UK exchange rate in line with the outside market rate in March 1930, and in forcing further depreciation to £A108:£stg100 in October (Schedvin 1970:157-62). Melbourne bank managers, however, still basically held to the general belief in the gold standard and deflation as the means to recovery. When, in November 1930, the Australian pound again depreciated in the outside market and a speculative flight from Australian currency began, they argued that it was possible to outbid the outside market and rejected any further depreciation despite a request from government to devalue in order to assist primary producers. Davidson responded with an announcement that the Wales would break the banks' agreement to quote a common exchange rate. On 5 January 1931, just before the seasonal peak in exports, the Wales quoted £A115:£stg100. Other banks followed, to find the outside market rate increasing still further. The banks' rate rose to £A125:£stg100, and then to £A130:£stg100 at the end of January. This seemed to be the market-clearing rate, for now official and outside market rates converged and stabilized. When Britain abandoned the gold standard in September, maintenance of the existing £A:£stg rate ensured an additional depreciation of the Australian pound in terms of gold, which in turn prompted a December revision of the rate — mistaken in Davidson's view — to £A125:£stg100 (Holder 1970:736).

Exchange depreciation in Australia, then, was hurried along by the efforts of a banker more interested in sound economics than slavish adherence to tradition. For A.C. Davidson of the Wales, unfettered operation of supply and demand was a guiding principle dictating devaluation beyond even the level finally

arrived at. As Schedvin (1970:223) notes, 'he did not entertain for a moment the notion that he could be wrong'. And he did not hesitate to preach principles across the Tasman.

Since five of New Zealand's six banks were foreign, and four were Australian in name, 'New Zealand was, in effect, a rich Australian state as far as its banking organization was concerned' (Sutch 1936:31). It therefore seemed natural for the New Zealand pound to depreciate with the Australian pound in early 1930. But the Union, the Australasian and the National Bank of New Zealand had their head offices in London, and with the semi-government Bank of New Zealand and the Commercial Bank of Australia, treated sterling parity as sacred. In October 1930, and in the face of Bank of New South Wales opposition, they maintained the £NZ:£stg exchange rate and thus forced a relative appreciation against the Australian pound (Belshaw 1936:23-4; Moore and Barton 1935:358-68; Holder 1970:747-76). An outside market in exchange indicated the pegged rate was too low; and when the Australian pound depreciated to £A130:£stg100 in January 1931, the BNZ reluctantly decided further depreciation to £NZ110:£stg100 was in order. Yet this was still below the outside market rate of £NZ118:£stg100. Davidson arranged depreciation-supporting newspaper articles and an August visit by the New Zealand-educated economist, Professor Douglas Copland; and he personally visited New Zealand in January-February 1932, advocating further depreciation to everyone from bank clerks to Prime Minister, and finding support in the recommendations of a government-appointed committee and from export interests throughout the country. But the opposition from other banks, commercial and manufacturing interests, the Labour Party, and many members of the incumbent coalition government seemed implacable. Exasperated, perhaps recalling charges of financial imperialism levelled against the Wales in 1931, but above all confident that continued depression would win converts more readily than argument, Davidson returned to Sydney.

Finally, export decline, the failure of the 1932 Ottawa conference to produce a magical solution to a depressed Commonwealth's problems, and speculation against the New Zealand pound, led the general manager of the BNZ, Sir Henry Buckleton, to agree hesitantly that a bank-initiated devaluation was needed. Moreover, there was Cabinet concern and division which ended with a majority decision that depreciation was mandatory. On 15 January 1933 the BNZ was asked to increase the rate on London to £NZ125:£stg100. On the twentieth, depreciation to the level of the Australian pound became official. To Davidson it was a welcome — if a belated and government-initiated — response to depression which, to his chagrin, would not be matched by exchange rate policy changes in Fiji (Belshaw 1936:23-4; Moore and Barton 1935:358-68; Holder 1970:747-76).

Fiji had begun experiencing agricultural depression even before Australia and New Zealand because the prices of its major exports slumped sooner. The world sugar price fell by over 66 per cent between 1927 and 1933 (Kindleberger 1973:88); and though Imperial preference — increased in 1932 — provided some important insulation from this fall, the Fiji sugar export price dropped by 40 per cent. The world copra price fell fairly continuously and in 1934 was 24 per cent of its 1928 level. Export revenue in 1931 was just 35 per cent of that earned three years earlier (*Fiji Blue Books*). Not surprisingly, the Fiji pound depreciated along with the Australian pound from late 1929, for Wales and BNZ management fixed Fiji's exchange rate, saw severe colonial economic depression, and in any case effectively treated Fiji as if it were a state of the Australian Federation. As Davidson explained (Holder 1970: 751-2):

The funds held in London by the Bank are not earmarked for the specific needs of Australia or New Zealand [or Fiji]. It is a fundamental feature of banking that a bank's reserve of cash (or, in this instance, sterling) is available for whatever calls its customers make upon it within their credit.

With sterling in chronically short supply, generalized currency depreciation was necessary. The manager of the Wales Suva branch put the explanation bluntly: on 14 March 1930 he told the Colonial Secretary that the cause of Fiji's depreciation was Australia's current account deficit (CSO 809/1930).

Devaluation by itself was bound to be a contentious issue. Colonial government was wedded to the idea of sterling parity and committed to a myopic, misplaced focus on Fiji's merchandise trade balance. Now, as a result of the branch manager's explicitness, it saw Fiji's monetary dependence as a major, perhaps the only, reason for the devaluations which the banks initiated between 1930 and 1933.

The Fiji devaluation debate

The Fiji pound depreciated with the Australian pound throughout 1930, and followed it to £F125:£stg100 on 14 January 1931. Only the Coconut Planters' Union, representing Fiji's major white planters, welcomed depreciation to this extent, claiming that planters who produced at a loss under parity now covered costs. The supporting economic argument was simplistic. It consisted of the truism that, given export and import volume and an initial trade surplus, depreciation led to a net improvement in the balance of trade in terms of domestic currency. But the planters' concern was survival. A copra price increase in terms of domestic currency was crucial, especially so if the planters' contention, that domestic prices (notably of bread)

had not fallen for twelve months despite the drop in world prices (notably of flour), were true. As to economic technicalities, the planters requested the governor, Sir Murchison Fletcher, to refer the question of exchange rates to 'some eminent economist' (C083/193).

Fletcher preferred to seek the advice of Fiji's pre-eminent merchant and long-sitting member of the Legislative and Executive Councils, Sir Maynard Hedstrom, whose export-import firm, like Burns Philp, sold copra through London and San Francisco offices. Hedstrom accepted that the 20 per cent depreciation stimulated the export sector: the copra planters were getting £1 10s to £2 per ton more, and in principle CSR could cover its Fiji expenses through the remission of 20 per cent less sterling. But he regarded the banks' assertion that a fundamental balance of payments deficit existed as 'specious and misleading'. And he doubted the effectiveness of devaluation in a very open economy in which he thought import demand was highly price-inelastic. In this model, devaluation-induced cost increase threatened to offset the initial benefit to Fiji's export sector (C083/193).

On the non-existence of a balance of payments deficit, the governor was in agreement with Hedstrom. Looking only at the balance of trade surplus (fob) as recorded in the *Fiji Blue Books*, and observing that public debt payments as a proportion of total domestic exports had not exceeded 4 per cent despite new borrowing in 1928, Fletcher told members of the Legislative Council that 'The Government is satisfied that Fiji's trade balance and general financial position would enable it, if it stood alone, to maintain sterling parity' (*Legislative Council Debates* 1931). However, he further agreed with Hedstrom that depreciation, at least in the short term, helped keep copra planters afloat, and that a return to sterling parity might cause CSR to curtail or suspend its Fiji operations and the banks to withdraw. *Some* exchange depreciation was therefore in order, but not to the extent of 20 per cent. Fletcher acted consistently with Hedstrom's advice and requested the banks to align Fiji with the New Zealand rate on London of £NZ110:£stg100 (C083/193).

At first, the local Wales and BNZ managers refused — on head office instructions. They maintained that the 14 January rate had to hold because there *was* a fundamental balance of payments deficit: sterling demand by Fiji purchasers had exceeded supply by £400,000 in the two years ending 30 September 1930; and later Wales estimates showed Fiji ran balance of payments deficits on current account in the calendar years 1929 and 1930, even allowing for the governor's claim that £354,000 of the £400,000 excess demand for sterling represented unusual government remittances (BNSW GM302/330). Fletcher also advanced the Maynard Hedstrom argument that any balance of payments deficit was a statistical illusion resulting from the fact that CSR did not remit sugar export proceeds to Fiji, but rather used Fiji

export proceeds to pay for Australian and New Zealand imports while meeting Fiji expenses out of New Zealand sales revenue. In fact, of course, it was returned value, not export sales revenue, which was relevant to an assessment of Fiji's net balance of payments position; and when the governor suggested to CSR management that the company remit export proceeds direct from London and Canada to Fiji, the telegraphed response was terse: 'We do not transfer funds as Governor evidently assumes therefore exchange rate does not enter into our calculations. We could not agree alter procedure. We have never sold exchange on London' (C083/193). As far as CSR's head office was concerned, Fiji's exchange rate was the banks' responsibility.

Yet the banks relented, presumably in accordance with the BNZ preference for a limited 10 per cent devaluation (see above), and probably to extend the trial period for such a devaluation beyond October 1930-14 January 1931. Fiji's current account deficit had fallen somewhat in 1930, and perhaps the 10 per cent devaluation would be sufficient to restore equilibrium. At any rate, as part of wider currency realignments, the Fiji rate on London settled at £F111:£stg100 after the final New Zealand devaluation on 29 January, and was referred to the Colonial Office for approval. The Office's Currency Committee took nine months to report, possibly because the referral had opened officials' eyes to Fiji's uniquely irregular monetary system, consisting now of a note issue theoretically made against gold, but in practice made against sterling drafts, redeemable in silver which could be exported only under licence, and pegged to the New Zealand pound. Predictably, the committee's preference was for a sterling exchange standard and restoration of parity between sterling and the Fiji pound. But Fletcher emphasized the costs of an immediate return to sterling parity and persuaded the committee to approve the banks' decision on the exchange rate. Its official members recommended Fiji be placed legally on a New Zealand pound exchange standard pending the establishment of a sterling exchange system. The former was considered necessary because in the official view the banks' goodwill and good sense could not be relied upon. The latter was thought to be a matter of time: 'as soon as New Zealand exchange rises to par with the United Kingdom, fresh legislation should be passed placing the currency on an ordinary sterling basis (C083/193). In the interim, there was to be no toleration of further depreciation. The UK Treasury advised that

the Governor should make it plain to the Banks that, if there is any tendency for Fiji currency to depreciate more than New Zealand, it is the intention of the Government to obtain legislation enabling the Currency Commissioners to buy and sell sterling at a fixed rate (C083/193).

In the short term, Fiji currency neither depreciated further, as the colonial government feared, nor followed the New

Zealand pound back to its 'natural' parity with sterling, as the Colonial Office anticipated. But the expectation that one or the other would happen probably added to normal delays in explaining the drawn-out attempt in 1931-32 to reform Fiji's monetary system on its 'temporary' basis, that is, to formulate and pass legislation making Fiji notes legal tender backed by New Zealand securities, and to arrange for the sale of consequently redundant idle gold reserves. In addition, the hesitancy born of uncertainty was compounded by Colonial Office ignorance of Fiji's monetary history and by colonial government ignorance of general monetary theory and practice. The two in combination precipitated a crisis which complicated a Fiji exchange position already unsettled in late 1932 by rumours of a further New Zealand depreciation.

On 21 October 1932, the Colonial Office instructed the Fiji Currency Commission to cease the (strictly illegal) issue of notes against sterling drafts, and confirmed the desirability of establishing a New Zealand pound exchange standard. The commissioners reacted, in the words of a Colonial Office official, 'with the utmost clumsiness' (C083/201). Eschewing consultation with banks and merchant companies, they simply announced on 15 November that one-fifth gold and four-fifths sterling would be required in exchange for notes, and then on 1 December that notes would only be issued against gold. Yet, however ineptly and at whatever cost to bank-government relations, the commissioners could claim they had just carried out orders. And the order in question was undoubtedly injudicious, based as it was on the false Colonial Office belief that the issue of notes against sterling drafts was a very recent practice, and coming as it did after British abandonment of the gold standard. Later, when it was learned that the practice dated from the early 1920s, Colonial Office officials recognized that custom need not have been renounced so precipitously: 'If we had known this before, it is possible that we should have made it clear that there was no necessity to put an immediate stop to an irregularity of so respectable an age' (C083/201). But the immediate stop *was* made; and at a time when banks' note demand reached the seasonal peak of what was a year of record cane production.

In desperation, the banks protested to the colony's two most influential residents, Sir Maynard Hedstrom and Sir Henry Scott, members of the Executive Council who had not been informed of the Secretary of State's October despatch on the feeble grounds that the governor had been too ill to convene a meeting, though he had felt obliged to inform the Currency Commission. Peeved by this treatment, and considering the 'blind obedience' of the commissioners a dereliction of duty to the colony, Scott and Hedstrom cabled the Secretary of State for the Colonies, stressing that the currency crisis would prevent financing of the 1932 sugar crop. On 9 December the Secretary responded with an instruction to the colonial government that it pass an ordinance putting Fiji currency on a New Zealand exchange standard (*Legislative Council Debates* 1932; C083/201).

The Currency Notes Amendment Bill was drafted by colonial government officials and passed by the Legislative Council on 13 December — with the reluctant agreement of unofficial members who in principle opposed pegging to New Zealand bank notes on the grounds that a New Zealand devaluation was likely, but who were prepared to support as a temporary expedient what Hedstrom, in the Legislative Council, called 'an extremely foolish, unwise and stupid bill'. Under the bill, Fiji notes could be issued and redeemed against drafts on New Zealand currency for a provisional period of six months ending 12 June 1933. Since coin in circulation was British silver this created 'a dual currency of a peculiarly inept kind' (C083/201), and strained the credibility of colonial government at a time when the exchange rate debate was reviving.

Two weeks after the passing of the Currency Notes Amendment Bill, the acting Colonial Secretary wrote to the CSR general manager in Sydney and asked him to indicate a preference for one of three exchange rate policy options: to place Fiji on a sterling exchange system (which the Secretary erroneously assumed necessitated sterling parity); to revoke the 1913 gold exchange legislation and more permanently place Fiji on a New Zealand pound exchange standard; or to place Fiji on an Australian pound exchange standard (CSR 2561). The CSR response on 13 January 1933 was that 'We would strongly advocate the legalising of a continuance of Fiji on a par with New Zealand'. Restoration of sterling parity 'would plunge the Colony into serious financial, racial, and industrial trouble' by reducing export prices and thus diminishing purchasing power. On the other hand, it was believed that pegging to the Australian pound and the attendant further devaluation would impose 'undue hardship' on importing interests. Parity with the New Zealand pound allegedly avoided the latter, while providing sufficient support to the export sector: 'apart from the [Imperial tariff] preference, the application of the exchange premium has been the sole factor in maintaining the solvency of the Colony on the basis of existing wages, prices, and contracts' (CSR 1091).

Maynard Hedstrom and Henry Scott, in a memorandum sent to the colonial governor and copied to the banks, opted for a sterling exchange system on the grounds that it promised greater stability, but strongly pressed the same arguments as CSR in favour of a 10 per cent devaluation to be maintained until restoration of pre-depression trade and monetary conditions. Fiji's Currency Commissioners desired a sterling exchange system and an immediate return to parity, disputing the argument that devaluation was effective in redistributing income to exporters, and emphasizing the danger of a note backing held in New Zealand securities whose price in foreign currency might fall in future. The Colonial Office remained committed to a New Zealand pound exchange standard but — surprised by the extent of local Fiji fears of a further New Zealand devaluation and consequent opposition to the New Zealand link — instigated a Currency Committee reassessment of Fiji's currency arrangements (C083/201).

The Currency Committee's review was pre-empted, however, by the New Zealand Government's decision to force a devaluation to the Australian level. A reluctant BNZ and an enthusiastic Wales management agreed that Fiji should follow New Zealand; and on 20 January a new rate on London of £125:£stg100 was announced.

The acting governor and Sir Murchison Fletcher, who was on leave in London, immediately requested the Secretary of State for the Colonies to disapprove officially of devaluation on the same grounds that the 1931 devaluation to £125:£stg100 had been disputed (C083/201). Locally they were supported by Maynard Hedstrom, who feared that 'what is sauce for the New Zealand goose will be poison for the Fiji gander' (BNSW GM302/330), and accordingly lobbied the BNZ general manager and personal friend, Sir Henry Buckleton, the Wales and CSR. The arguments advanced to these parties were presented to the public in *The Fiji Times and Herald* of 2 February 1933. Hedstrom contended that CSR would not pass on the benefits of devaluation to cane growers, but would distribute any increased export income to its Australian shareholders; that copra and banana producers would receive an additional £60,000 annually, equal to 25 per cent of 1932 export income; and that the increased cost in terms of domestic currency of imports, interest, travel, pension and salaries payments would total £162,000. The net loss to the colony from the 20 January devaluation came out at around £100,000. Hedstrom's arguments and crude statistics were used by the Colonial Treasurer in a memorandum sent to the banks on 17 February. An accompanying letter from the acting Colonial Secretary called for an end to the current 'artificial depreciation' that resulted — the Secretary declared — from foreign ownership of the banking sector, and a return to the 'convenient and workable compromise' of the previous two years (BNSW GM302/330).

The BNZ response five days later was that the compromise exchange rate had not eliminated Fiji's balance of payments deficit. Bank management claimed it had sold £stg473,000 on Fiji account and purchased just £stg83,000 in the two years ending 30 September 1932, and that Fiji's excess demand for sterling had to be met through the purchase of sterling in New Zealand. Hedstrom told CSR's general manager that Sir Henry Buckleton 'would rather close down in Fiji than pay £125 N.Z's for £100 London's, only to sell the £100 London's for £110 Fiji's' (BNSW GM302/330). Wales management similarly claimed an excess demand for sterling on Fiji account, totalling £stg121,000 in the year to 30 September 1932 (BNSW GM-CI302/887). But Davidson, conscious that this was a technical problem useful inasmuch as it served to win converts to the devaluation cause, argued for devaluation on more fundamental grounds. In a letter to the Suva branch manager attacking Hedstrom's arguments, he emphasized that Fiji had two alternatives in the face of export price declines — deflation to bring local costs into line with world prices, or devaluation to raise the domestic price of export goods in advance of general devaluation —

induced price increases which were reflationary through their effect in reducing real debt and raising business confidence. Devaluation, Davidson insisted, provided the less painful adjustment mechanism. He also pointed out an apparent logical inconsistency in Hedstrom's position: if a 10 per cent devaluation helped CSR through a difficult period, then a further 11 per cent devaluation should do the same. Davidson accordingly added £F173,000 in increased domestic sugar receipts to the credit side of his devaluation balance sheet and, in his reply to the Colonial Secretary's 17 February request for a return to £F111:£stg100, expressed surprise at government's acceptance of Hedstrom's calculations. What reliable information and convincing reasons, he asked on 8 March, could government advance in justification of revaluation? (BNSW GM302/330).

In truth, the familiar official opposition to devaluation which Davidson encountered in Fiji probably arose more out of the belief that devaluation was 'dishonourable', an admission of 'defeat', than out of any carefully reasoned economic analysis. When, in the Legislative Council session of 21 February, the acting governor criticized the banks for devaluing despite Fiji's balance of *trade* surplus, he spoke on behalf of what Wales officers regarded as an unenlightened mob: 'There are 2,000 whites in Suva and 1,995 are in favour of Fiji going on a sterling basis or a lower exchange rate ... about 1 per cent ... know anything of the subject, while the remainder speak as though they were experts' (BNSW GM302/330). The white population was, in these observers' eyes, administered by fourth-rate English officials with extravagant life-styles which reinforced the official preference for a revaluation, since this reduced the prices of imports purchased from fixed government salaries and raised the sterling value of leave pay, pensions, and Fiji bank deposits (C083/201).

Fourth-rate or not, the English officials found an ally in CSR's general manager, Philip Goldfinch, who early in January had stressed the benefits to Fiji's export sector of the devaluation which came with Fiji falling 'into its natural parity with New Zealand in a rate of exchange on sterling' (CSR 1091), but who in March rather confusingly claimed that further devaluation did *not* assist the Fiji sugar industry:

the Fiji accounts have been credited with whole current rate of exchange London Sydney and this coupled with preference sole consideration which has enabled us continue to purchase cane pay wages on present basis. Recent alteration London Fiji exchange to 25% will therefore not improve industry's position ... On the other hand reduction rate of exchange London Fiji below London New Zealand rate would seriously affect Company's position and income earning owing to cost of financing Fiji business becoming subject to the difference Fiji New Zealand rates ...

We think position is one for Government to agree upon with Banks and if so agreed in interest of Colony as a whole that Fiji should adopt £111 while New Zealand remains £125 then despite loss involved Company is ready to assist Colony for the time being by providing money in London for two Banks (CSR 1091).

Goldfinch was comparing apples and oranges by denominating CSR's Fiji sugar export revenue in £A and costs in £NZ, when what mattered was the relative movement of revenue and costs measured in the same — domestic or foreign — currency. But economic logic aside, his cable effectively undermined the banks' case for maintenance of the *status quo*. Indeed, CSR management already had acted on the presumption that Fiji would revalue, remitting £F640,000 from Australia to Fiji via the Wales, and about £F160,000 through the BNZ, in order to cover expenses of the 1933-34 sugar harvest (BNSW GM-CI302/1341-7). Davidson, anticipating a prolonged dispute with Imperial and colonial governments, could now guess, if he did not know, that no support would come from Fiji's major exporter (BNSW GM302/330).

In reality, events moved faster than experience of Crown Colony government led many to expect. The New Zealand devaluation, added to the local Fiji opposition to the pegging of Fiji to New Zealand currency, caused the rapid abandonment of Colonial Office plans for a New Zealand pound exchange standard, and a ready return to the idealized sterling exchange system. On 9 March the Currency Committee met with governor Fletcher in attendance. Satisfied by Fletcher's advice that Fiji copra producers needed no special assistance, and that further consultation with the banks was pointless because of their 'stereotyped' attitude to devaluation, the Committee advised the Secretary of State that it was time to permit the Currency Commissioners to buy and sell sterling at a fixed rate, that the rate should be £F111:£stg100, and that the consequent note issue should have 120 per cent sterling backing in case of a return to sterling parity. On 20 March the Secretary cabled instructions that the acting governor should with haste push a resolution through the Legislative Council creating a system to be validated by later legislation. The Colonial Office had no desire to test Davidson's assertion that opposition to devaluation waned as benefits to exporters permeated the economy. On 28 March, minutes before a half-hour emergency session of the Legislative Council called to pass the necessary authorizing resolution, the banks' local managers were informed of the government intention to introduce a sterling exchange system with a fixed rate of £F111:£stg100. Not until 19 April did the Wales receive a reply to its letter of 8 March dealing with the exchange rate question; and then the bank was told simply that the 28 March resolution was passed on Colonial Office instructions, and that the colonial government awaited a full explanation. By this time, both banks had been compelled to quote the government exchange rate (CO83/201; BNSW GM302/330, GM-CI302/882).

Wales management still wanted the exchange rate to be permitted to find its natural level — 'i.e. one which corresponds to the ratio between the purchasing power of the pound in Fiji and the pound or other unit elsewhere' (GM-CI302/882) — and which management was confident would be closer to £F125:£stg100 than to £F111:£stg100. The alternative would be restriction, perhaps even cessation, of bank advances as reserves were drained. But whatever its merits, the Davidson line of argument was neither personally well presented nor well received in London. According to Professor Copland, in London for the World Economic Conference, an 'all too evident discrepancy between the policy of the G.M. and the mind of the London office is damaging your prestige in the City of London quite considerably'. And Professor E.O. Shann, friend and economics correspondent of Davidson who reported these remarks, himself found that the Wales London branch manager showed some contempt for the general manager's 'long telegrams' and 'reiterations' (BNSW GM302/5901/1). On-the-spot advocacy of a 20 per cent devaluation by the London manager to the Secretary of State seemed at best dutifully lukewarm. And the Colonial Office, probably immune in any case, was unmoved. The banks' threat of withdrawing advances, one official observed, 'we have already met in Mauritius, and I feel it is no more likely to be carried out in Fiji than it was in Mauritius' (C083/201). For the Imperial government the question was not whether to revert to the January rate of £F125:£stg100, but how to confirm the rate of £F111:£stg100. In this connection, the focus was on winning the banks' cooperation by making CSR's sterling supply available to them.

Bank-government relations remained strained, however. Davidson claimed he had received confirmation of his suspicion that Legislative Council members knew of the 28 March resolution days in advance, and that the knowledge had been used to permit councillors, their friends, and merchants to speculate to the detriment of the banks' exchange profitability. The Colonial Office could not understand how a leak could have occurred (though Hedstrom and Scott had been permitted advance knowledge as Executive Council members); but for Davidson, who believed it had, it destroyed any remaining confidence in a colonial government which now further offended him by suggesting the banks negotiate with CSR for sterling purchases. The Wales, Davidson wrote, had been in contact with CSR all along and did not need the advice of a meddling, ignorant Colonial Secretary. By the first week of June, it was anticipated that the Wales and the BNZ would purchase about £stg400,000 per annum from CSR to cover its oversold Fiji-London position (BNSW GM302/330, Confidential file-Fiji Exchange 1933). Exchange availability was not at issue: 'This arrangement will meet questions of current exchange operations but it ignores altogether economic position of Colony(ies) at present time in relation to rest of World and Great Britain in particular' (BNSW, corr. with Shann). Reflecting economic depression and the banking system's consequent overall sterling shortage, Wales advances in Fiji were half the 1920s level, while profits which ranged

from £1600 to £8500 in 1910-28 had been replaced by growing losses reaching £7150 in the half year to 31 March 1933. In May, the BNZ told the Colonial Office via governor Fletcher that large losses under the existing exchange rate regime might force withdrawal from Fiji (BNSW, Half-yearly Reports, GM-CI302/882).

Fiji's exchange rate was discussed on 1 June at a London meeting between Sir Murchison Fletcher, Sir Maynard Hedstrom and Colonial Office officials. On the desirability of maintaining the rate announced on 28 March there was predictable unanimity; but, as officials observed, the real principals in the debate were in Sydney and Wellington, and any final resolution depended on their participation. Two weeks later, on 14 June, a more representative meeting was held at the Colonial Office. Chaired by Sir J. Campbell, economic and financial adviser to the Colonial Office, it consisted of Fletcher, Hedstrom, F.C. Lord for CSR, the London managers of the Wales and the BNZ, a Crown Agents representative, three Colonial Office officials, and Professor E.O. Shann. Familiar battle lines were drawn, the same basic arguments rehashed, and some crucial elaborations made. The Wales London manager repeated Davidson's case for further devaluation to improve Fiji's balance of payments and to aid economic recovery in the colony. Fletcher argued that devaluation would be ineffective and concentrated on three assertions: that the cane price would be unchanged while Imperial preference lasted — unless there were a catastrophic devaluation; that copra output was already at a maximum from existing plantings, so there could be no supply response to a price incentive until newly-planted palms came into bearing in five or six years; and that banana exports were limited by import quotas set in Australia and New Zealand. Lord confirmed the first point; Campbell and Hedstrom offered general support for the previously unemphasized notion that export supply was inelastic.

In any case, Wales balance of payments estimates were rejected by officials who remained obsessed with the merchandise trade balance. The banks' representatives ended up discussing the current problem of sterling availability rather than the fundamentals of colonial economic policy; and in a surprising admission of the possibility that Fiji's balance of payments deficit might be chronic, they agreed that this problem would remain regardless of Fiji's rate of exchange (C083/201; BNSW GM302/330). So it was that CSR was brought from its self-imposed sideline position into the box seat, as the Wales London manager put it (BNSW GM302/590/1). Company management had been critical of the colonial government's 'precipitate action' of 28 March (CSR 2561), and adhered to its belief in the general principle that revaluation hurt exporters; but it nonetheless acted as if it already received the benefits of a Fiji exchange rate of £F125:£stg100 (see above); and indicated its willingness to support the 28 March decision by repeating its offer to supply sterling to the banks. Immediately after the meeting, Fletcher cabled CSR's head office and thanked the company for its generous

cooperation. Goldfinch's reply encapsulated CSR's final position on the devaluation debate and incidentally summarized that of Fiji's importing interests: 'Though may be unsound practice interfere with natural exchange our offer made in best interests Colony to prevent existing cost levels being increased' (C083/201).

CSR support gave the British Government-Fiji importer alliance a firm and final victory over the banks. Shann so advised Davidson:

I am quite convinced that, as you are dealing with a Crown Colony Administration, nothing whatever is to be gained by argument against their decision. The future will show whether the rate chosen is an economically sound one. If it is not, the deterioration of production and trade in Fiji will show itself at the expense of the sterling reserves of the Commissioners (BNSW corr. with Shann).

But Davidson's response to the prospect of permanent interference with what he regarded as bank business was unrestrained:

We have received no information whatever as to reasons for unwarranted Government interference except unfounded and erroneous assertions unsupported by facts or reasons in memorandum of Acting Colonial Secretary and public statement made by Hedstrom in press (BNSW GM302/330).

The bank-CSR arrangement was 'too temporary to provide security' and put CSR in an unacceptable position of arbitrator in questions of banking finance and exchange.

However, Davidson's vehement opposition was matched by its ineffectiveness, as Shann predicted. Early in July, the Colonial Office's Currency Committee confirmed for the final time that £F111:£stg100 should stand, and would stand because of CSR's cooperativeness (BNSW, GM302/330). Later in the month, the Fiji Legislative Council assented to necessary legislation; and, on 1 November 1933, the Fiji Currency Notes Ordinance came into effect. Because a restoration of sterling parity was thought likely, the ordinance exceptionally made provision for a maximum reserve of 120 per cent of the note issue instead of the more usual 110 per cent; but the exchange rate so legitimated in fact would last for thirty-four years (CSO F7/15).

A concluding assessment

There can be no doubt that if the banks and the copra planters had possessed the requisite political power, Fiji would finally have followed Australia and New Zealand in a 20 per cent devaluation against sterling during the Great Depression. Instead, a merchant-government-CSR alliance prevailed, with

limited devaluation to 10 per cent, arguing that devaluation from £F111:£stg100 to £F125:£stg100 would be ineffective as a means of balance of payments adjustment, even granting the existence of a deficit. Import demand was thought to be highly inelastic since domestic substitutes were not readily available, so that domestic costs threatened to increase by the extent of the devaluation. Export supply allegedly was also highly inelastic because first class land was fully planted to coconuts and sugar cane: in fact, CSR believed that, if it passed on devaluation benefits in the form of higher cane prices and wages, sugar output would fall because of the existence of a backward-bending labour supply curve (CSR 3127). Finally, Australian and New Zealand import quotas made the demand elasticity for Fiji banana exports zero.

The argument has general appeal on *a priori* grounds when applied to a very open economy characterized by a high ratio of traded to non-traded goods in the monetized sector 'because resources devoted to subsistence production cannot, in the short run, be readily switched into the production of tradeable goods within the money economy' (Drake 1980:109). Davidson of the Wales was probably too quick to assume that, if devaluation worked in the Australian economy, then it would work in the Fiji economy. But an increase in output of Fiji export goods was not impossible in the early 1930s. Copra export volume dropped 46 per cent between 1928 and 1932 (*Fiji Blue Books*), suggesting higher prices could have stimulated greater harvesting of nuts from existing palms, both on plantations and in Fijian village groves. Also, there was plenty of second class land suitable for planting to sugar cane, still the most remunerative cash crop to a growing, commercialized Indian population (Moynagh 1981:125). Nor was an increase in output of import substitutes, especially food, totally impossible: Indian barbers could switch to rice production; copra planters could, and did, grow more of their own plantation supplies.

There were some grounds, then, for questioning the validity of the merchant-government-CSR assertion that devaluation to £F125:£stg100 would be ineffective. More pointedly, the alliance itself admitted the effectiveness of devaluation in its collective support for the 1931 devaluation from £F100:£stg100. (CSR management, if it had been analytically clear-minded, would even have supported the further 1933 devaluation.) There *was* general agreement with Davidson's argument that devaluation — precisely because of the openness of Fiji's economy — provided crucial insulation from international deflation by improving exporters' price-cost margins and reducing their real debt burden. The real disagreement was over the appropriate extent of devaluation. Devaluation, with its accompanying rise of internal prices, did not affect all groups in Fiji equally. Exporters benefited. Civil servants' income lagged, particularly in depressed times when government found it even harder to raise taxes. Hence the

official preference for a return to £F100:£stg100. Indian cane-farmers, too, were adversely affected given CSR's commitment to constant money cane prices whatever the extent of devaluation.

The final compromise was very much the product of the merchant Hedstrom's efforts. It was he who persuaded the colonial governor — and through him, the Imperial government — that policy implementation of the official preference for parity with sterling would be disastrous. It was he who argued that a 10 per cent devaluation was optimal because it provided some stimulation to the export sector without being inflationary: for exporters sold to countries against which Fiji devalued, while importers purchased over 35 per cent of total (mostly wage goods) imports from Australia, against which Fiji revalued (*Fiji Blue Books*). Importantly, subsequent economic developments did not provide grounds for disputing this judgment. Fiji's terms of trade and real export earnings improved in 1933-34 (see Table 8.1, Figure 8.1); and after 1934 the balance of payments and sterling reserves were fundamentally affected by the rapid growth in gold exports (Chapter 2). Between February 1933 and September 1936, Wales purchases of foreign currency *exceeded* sales by £F84,000; and the Wales balance of payments estimates for 1936 showed a current account deficit of only £F153,000 which, rather than indicating a fundamental overall deficit, reflected autonomous private capital inflow resulting from gold-mining expansion (BNSW GM302/330; O'Loughlin 1956:57).

Yet it should not be forgotten that Davidson was the solitary advocate of devaluation in the early years of depression in Australia, New Zealand and Fiji; and that in correctly arguing the merits of devaluation as a means of insulation from the effects of that depression, he was instrumental in preventing an unnecessarily delayed exchange rate policy response. In pushing for a further Fiji devaluation in 1933, he acted for those industries — copra and banana planting — he regarded as really belonging to Fiji because they were owned and carried on by permanent residents (BNSW302/330). However, the political economy of colonial Fiji was such that the white copra planters, who were foremost in Davidson's mind, could not influence economic decision-making to their own advantage. Within twenty-four hours of the 28 March revaluation, the local copra price fell from £8 10s to £7 per ton (MH); and as a result of consequent agitation on the part of the copra planters' representative in the Legislative Council, a committee was set up in November to examine assistance to the copra industry. Had government been serious about achieving its stated objective of white settler development, something positive would have resulted. After all 'The assistance extended to the Colonial sugar industry went ... in the depths of the depression to over 100 per cent of the world price of sugar' (Morgan 1980:9). But the real purpose of the committee, Morris, Hedstrom's general manager indicated privately, was to save Maynard Hedstrom the task of stifling copra planter agitation in the Legislative Council (MH). Membership of the committee was

weighted in favour of civil servants and merchants, so it voted against an export subsidy and devaluation as means of assistance (BNSW, Suva manager's report 1934).

As Morris, Hedstrom's manager further observed, economics overrode political and racial considerations: government had watched the European country retail trader disappear, 'a class about equal in number to that of the European coconut planter'; it had watched the European sugar planter and the European banana planter disappear. The European copra planter, the manager continued, did no manual work, his greater command of capital was irrelevant now that new planting had stopped, and his organizational ability was ineffective on plantations of less than 200 acres. Therefore, he also could expect to be replaced by Indians and Fijians (MH). By the mid-1930s, the shift in the balance from white settler to white corporate capitalism in the Fiji colonial economy was almost complete.

Chapter 8

The impact of colonial export growth: development or underdevelopment?

Australasian capital was the agency of Fiji's transformation from self-sufficient tribal to export economy during the formative colonial period 1874-1939. Through introducing new sugar technologies which made the milling of cane grown by imported Indian plantation labour profitable, CSR turned the island group into a fast-growing sugar economy when most sugar colonies stagnated - so that by 1913 Fiji surpassed the West Indies as a British Empire sugar producer (Page 1919:208). The Union Steam Ship Company of New Zealand and the Australasian United Steam Navigation Company, effectively acting as a shipping monopoly, carried sugar, copra and bananas exports and the import goods on which export income was spent. Merchant capital became concentrated to the point where Burns Philp, the largely foreign-owned Morris, Hedstrom Ltd, and the W.R. Carpenter-owned Brown and Joske, dominated the marketing and distribution of trade goods. And credit which lubricated colonial production and trade came from the Bank of New Zealand and the Bank of New South Wales.

Therefore, to assess the effects of primary export expansion on Fiji's long-term development is to examine the consequences of economic imperialism in Fiji. It used to be the vogue to argue that foreign trade and foreign investment were engines of growth: trade increased income by encouraging greater specialization in production or by permitting the employment of idle resources; investment and technology transfer increased productive capacity and therefore income; and reinvestment of part of the increased income caused further growth (Corden 1971: 117-43; Meier 1970:492-7, 504-9). Now it is the vogue to argue that foreign trade and foreign investment were engines of 'underdevelopment': emphasis is placed on possible net income losses resulting from the destruction of local industries by import competition, the maldistribution of any gains from trade resulting from a secular deterioration in the terms of trade, the expropriation of income gains by foreign capitalists and their consumption by domestic elites, the export-biased or even 'immiserizing' growth resulting from what little investment did occur, the enclave nature of export industries, and the acquisition of consumption habits inappropriate to the needs of the majority of the population (Meier 1970:479-92; Singer 1950, 1975; Frank 1971; Baran 1973; Furtado 1973; Bhagwati 1958; Linder 1961).

What is at issue here is the impact of export growth in specific historical instances (Helleiner 1972:18, 24). But it is mistaken to suggest that we can accurately measure progress or regress once we have enough facts. There is no agreed, value-free index of progress; the facts are limitless and are selected according to the prejudices and purposes of investigators; and even with 'all' the facts at their disposal, conservatives and radicals will disagree on interpretation, not least because they differ over what would have happened in the absence of colonialism and economic imperialism. Export growth, which to Lewis (1970) is the prime mover in economic progress, is to Rodney (1972:256) the cause of Africa's underdevelopment: 'there was growth of the so-called "enclave" import/export sector, but the only things which developed were dependency and underdevelopment'. Lewis (1978a:214) does not imagine a better alternative development path for societies in the periphery:

One must ... not be trapped by the tendency to idealise pre-colonial cultures, and to assume that if untouched by foreigners they would have remained forever pure, or would of their own necessarily have evolved in worthy directions. Eighteenth-century societies – whether European, African, Asian or Latin American – are not worth much shedding of tears.

Rodney (1972:22) sees progressive development interrupted: 'African and Asian societies were developing independently until they were taken over directly or indirectly by the capitalist powers'. Nevertheless, interpretation and judgment must wait on information – unless the aim is to produce propaganda. This concluding chapter empirically analyses the functioning of Fiji's colonial economy between 1875 and 1939 before answering the question in the chapter title.

Income growth and distribution

Unquestionably, export expansion led to significant increases in Fiji's gross domestic real income per head between Cession and World War II. For despite a relatively severe deterioration in its commodity terms of trade through most of the period (Figure 8.1), the colony's capacity to import – as measured by real export earnings per head – rose tenfold from £0.9 in 1881 to £10.2 in 1913, and was maintained in 1913–36 (Tables 8.1, 8.2). On this statistical criterion, Fiji's position on the 1913 development ladder was just behind that of countries with the highest standards of living in the world. Exports per head of the temperate countries Canada, Australia, New Zealand, Argentina, Chile, South Africa and Uruguay averaged \$US61.3 in 1913. The average for the tropical countries of Africa, the Americas, Asia and Oceania was \$US10.4. Fiji's per capita exports were \$US49.3, surpassed amongst tropical countries only by Cuba with \$US69.3 (Lewis 1970:49; 1978a:196, 203). But Fiji was not a rich country;

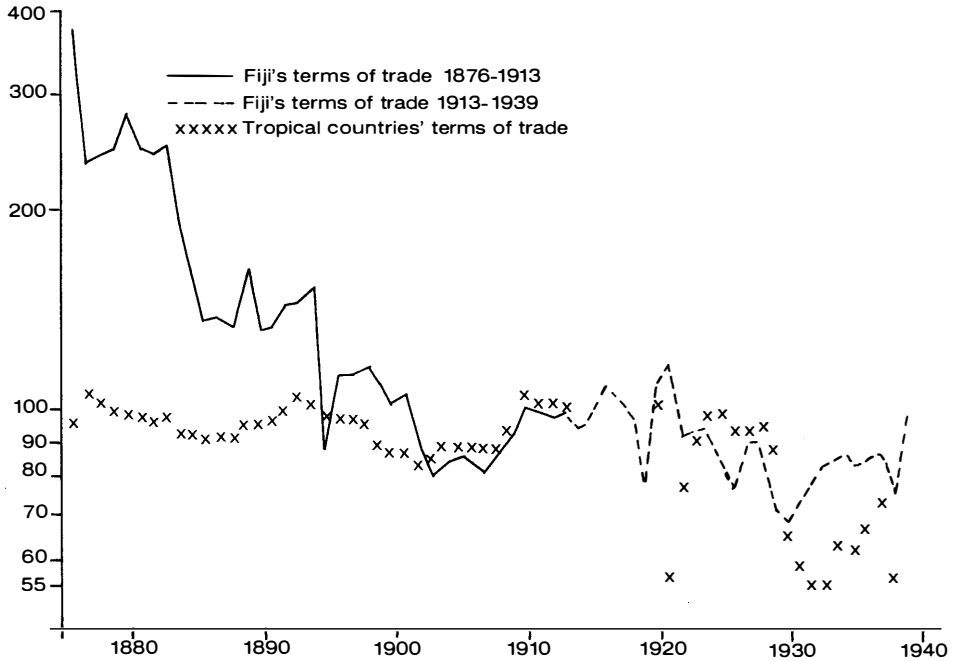
Table 8.1 Real export earnings, 1875-1939

Year	£	Year	£
1875	61,849	1908	908,212
1876	67,210	1909	1,014,803
1877	100,283	1910	1,059,796
1878	130,182	1911	1,319,184
1879	120,467	1912	1,086,789
1880	153,280	1913	1,425,940
1881	118,775	1914	1,403,399
1882	147,505	1915	1,461,417
1883	294,286	1916	2,061,877
1884	317,546	1917	1,677,095
1885	322,237	1918	1,276,123
1886	275,603	1919	1,102,261
1887	286,361	1920	1,357,298
1888	383,086	1921	1,421,545
1889	376,012	1922	1,253,426
1890	358,415	1923	1,085,017
1891	475,404	1924	1,093,416
1892	477,966	1925	1,481,726
1893	398,110	1926	1,145,594
1894	673,989	1927	1,479,087
1895	371,321	1928	1,959,255
1896	486,023	1929	1,262,296
1897	500,145	1930	1,182,136
1898	622,256	1931	954,945
1899	532,234	1932	1,585,735
1900	636,728	1933	1,626,004
1901	578,886	1934	1,633,584
1902	575,384	1935	2,056,115
1903	588,169	1936	2,310,735
1904	631,721	1937	2,131,382
1905	754,418	1938	2,624,853
1906	627,867	1939	3,132,722
1907	880,277		

Source: B. Knapman, *Capitalism and Colonial Development ...*, PhD thesis, Canberra, ANU, 1983, p.464.

it was a small place in which foreign corporations did convenient business and where immigrant Indians laboured on plantations for a shilling a day – when a navy in New South Wales earned nine shillings.

The temperate-tropical wage differential was caused by an agricultural productivity differential: at the turn of the twentieth century, food grain output per acre was around 1600 pounds in Britain, and only 700 pounds in tropic zones, so that overpopulated

Figure 8.1 Fiji terms of trade, 1876-1939 (1913 = 100)

Sources: B. Knapman, *Capitalism and Colonial Development ...*, PhD thesis, Canberra, ANU, 1983, pp.490-5; W.A. Lewis, *Aspects of Tropical Trade 1883-1965*, 1969, p.49.

India and China provided an unlimited supply of labour to any place offering a living standard marginally above that defined by 700 pounds, whereas those emigrating from Europe to the Americas, Australia and New Zealand expected, and got, a standard of living more than double the tropical level. Once established, the temperate-tropical wage differential was maintained by the temperate countries' refusal to accept sustained Asian immigration. There was in consequence a tendency for temperate export prices to exceed tropical export prices, and for tropical countries to share most of their productivity improvements with customers (Lewis 1978a:188-93); but more importantly in the case of Fiji, which nonetheless had a temperate country level of export income per head, the operation of a dualistic international labour market ensured that high income from high productivity would be distributed very unevenly.

Typically, an Indian indentured labourer's target task during the sugar harvest of the late 1880s was to cut three tons of cane, for which one shilling was received (compared with a daily rate of over six shillings for an Australian field worker). Even on the generous assumption that the task in the early twentieth century was one-half as demanding, the wage rate per ton therefore was under eightpence. This ton brought the white sugar planter

11s 3d gross; and assuming seven tons of cane went to produce one ton of raw sugar, it returned an average £1 10s to CSR between 1906 and 1915. Hence, Indian labourers received around 2 per cent of sugar export proceeds, white planters received 36 per cent after labour expenses, and CSR received 62 per cent — whereas in Australia the company got 30 per cent (Gillion 1962:109; Chapter 4, this volume; *Fiji Blue Books*; Narsey 1979:94-5).

Table 8.2 Population of Fiji, 1881-1936

Year	Fijian	Indian	European	Total ^a	Average annual growth rate (%)
1881	114,748	588	2,671	127,486	
1891	105,800	7,468	2,036	121,180	-0.5
1901	94,397	17,105	2,459	120,124	-0.1
1911	87,096	40,286	3,707	139,541	1.5
1921	84,475	60,634 ^b	3,878	157,266	1.2
1936	97,651	85,002 ^b	4,028	198,379	1.6

^aIncludes residual.

^b72 per cent born in Fiji.

Source: N. McArthur, *Island Populations of the Pacific*, Canberra, ANU Press, 1967, pp.27-8.

Additionally, because CSR was the source of official data on sugar exports (CSR 2211), and from 1882 until the mid-1920s sold raw sugar to its own refineries, the opportunity for transfer pricing existed. Contrary to the views of Narsey (1979:100) and Moynagh (1981:106), it was not seized in the period 1882-1912. CSR declared a Blue Book price for Fiji sugar on average 31 per cent above the world (Java fob) price, as estimated from data in Latham (1978:193) and Lowndes (1956:443); and for the simple reason that company profits, which were taxed in Australia and New Zealand, were not taxed in Fiji. However, in the years 1915-23 CSR substantially underpriced raw sugar exports for two reasons. First, if CSR had sold to its Auckland refinery at extremely high open-market prices, the cost of the raw sugar inputs would have increased by 52 per cent on the unit values declared to Fiji customs officials; and since these inputs constituted 52 per cent of the final price of refined sugar, the New Zealand consumer would have been expected to absorb a 27 per cent price increase without cutting expenditure if CSR refinery profits were to be maintained (Lowndes 1956:205, 443; *Fiji Blue Books*). Second, high world sugar prices prompted the colonial government to impose a sugar export duty from 1916, and fuelled demands for higher wages

and cane prices which escalated after the end of the indentured immigration in that year. Company and excess profits taxes soon followed (see below). The company therefore entered into an agreement with the New Zealand Government to sell raw sugar to New Zealand at a below-market long-term price (Moynagh 1981:105-6); and it understated the amount actually paid for Fiji sugar by the amount of the export duty (CSR 3106). Thus, calculations from data in Chapter 4 and Moynagh (1981:106) show that, while the cane-growers' share of declared export proceeds fell to between 21 and 34 per cent in 1915-23, their share of the world market price was even lower at 13 to 25 per cent.

After the introduction of Imperial preference from 1923, Fiji sugar was sold increasingly to Canada and the United Kingdom, and CSR refineries were supplied from Java, Cuba and Peru (Day 1948). Arbitrary pricing of intracompany transactions ceased. But Indian canegrowers who had displaced white planters still received the minor share of sugar export proceeds. Heavily indebted peasants on short-term leases producing a crop unrivalled locally in terms of returns per hour and per acre (Moynagh 1981:125), and facing low wage/high technology competition internationally, did not have the bargaining power to improve on the 32 per cent of sugar export revenue they received in 1924-29. The share increased to 50 per cent in the 1930s, only because CSR stabilized the cane price in an effort to ensure steady supplies for its mills (Moynagh 1981:124; *Fiji Blue Books*).

Most sugar export income from 1882 to 1939 went, then, to CSR. Further, as noted in Chapter 7, CSR's share was not actually returned to Fiji, for it was company practice to use the colony's sugar sales revenue to cover Australian and New Zealand import expenditure, while meeting Fiji expenses from the revenue of the CSR Auckland refinery. Strictly speaking, CSR profits were not repatriated from Fiji, for they were never received there. So, although Fiji had the export income per head of a temperate country after the sugar-led growth of 1882-1913, it did not receive the development stimulus the temperate country received. Low wages restricted domestic demand and hence the opportunities for import substitution in a market already limited by smallness of population. They also reduced domestic saving per head, which was bound to be lowered by the extent of sugar profit 'repatriation'.

Moreover, what held for the sugar sector of Fiji's colonial economy held for the copra sector. Income distribution in eastern Fiji was more even than in the sugar-growing west, inasmuch as white copra planters and Fijians received over half the price of an export good which could be simply processed by the sun. But low wages were paid by planters, and white merchant companies manipulated the local terms of trade to extract the high profits possible in an age of export growth without Asian merchant competition. Just as in the sugar sector, low wages restricted the demand for consumer goods; and company control of the import-

export trade put profits in the hands of a few. Henry Marks & Co. in particular did well out of trading in both copra and sugar regional economies before its 1920 takeover by a similarly successful company in Morris, Hedstrom Ltd. The factor distinguishing these companies' founders from the managers of CSR, the banks and the shipping companies, was that they were locals committed to white settler development. Potentially, they had a keener eye to domestic reinvestment of profits in diverse activities. Overall though, business imperialism in Fiji realized its effective collective aim of generating an export surplus.

Fiji's balance of trade (f.o.b.) was in deficit in just six of the sixty-five years 1875-1939; and the cumulative trade surplus over the period was £23 million, or an annual average of £354,000 (*Fiji Blue Books*). Part of this £23 million would have gone towards insurance and freight expenses on imported goods carried by the foreign-owned shipping companies. If Bank of New South Wales balance of payments estimates for 1929-32 and 1936 are any indication, freight added between 12 and 17 per cent of the f.o.b. cost of imports (BNSW GM 302/330; O'Loughlin 1956:57). Taking the higher figure, freight in 1875-1939 on retained imports would have been £7 million. There were also net payments for travel and government pensions. But the great bulk of the £16 million remaining after freight went in remittances, interest, dividends and profits to foreigners, well over £8 million going as net profits to CSR (Moynagh 1981:66, 116, 148). In all, approximately one-quarter of export revenue in 1875-1939 flowed out in these forms.

It is axiomatic that had repatriated profits remained in Fiji, domestic savings-investment capacity would have been enhanced. It is axiomatic, too, that had the local wage level been higher, the domestic demand for consumer goods would have been larger. In short, Fiji's development potential would have been greater if it had been a country of temperate settlement instead of a tropical colonial economy. The historical reality was that future colonial development depended on exogenous investment decisions of foreign capitalists and the use made of the export income which *was* returned to the colony.

Private income usage

Most income received by Fiji residents did not go towards increasing production in the colony because it was spent on imports. Consumption of imported manufactures was, after all, the motivating purpose behind export production in the indigeous economy; and imports were necessary to sustain production in the export enclave. In 1936, import expenditure per head was three and a half times the 1881 level; and of the £49 million in export income which was not repatriated as profits, remittances and interest and dividend payments between 1875 and 1939, a quite constant 70

per cent went on consumer imports, 30 per cent going on investment imports (*Fiji Blue Books*).

That the proportion of consumer imports did not decline suggests that trade-related profits were not employed, or not successfully employed, to alter the structure of the colonial economy substantially. Rather, CSR's reinvestment of profits and introduction of new technologies was naturally aimed at expanding sugar export capacity. As the CSR general manager, Edward Knox, told the colonial governor in 1911, CSR had in the main itself provided all the infrastructure necessary to colonial sugar production (CSR 2935). And, as he told another governor in 1923 (CSR 2923), CSR management 'had never considered anything in Fiji other than sugar — that for anything at all labour is an essential and if labour under reasonable conditions were forthcoming we would prefer to stick to our own industry for which we had the necessary land equipment and experience'. The twin objectives of maintaining the commitment to sugar and keeping wage rates low meant that CSR opposed agricultural diversification and general productivity improvement. Farmer specialization on sugar cane production was encouraged by CSR provision of fertilizer at cost, of capital equipment at below maintenance cost, of finance at below-market rates of interest, and of land at low rent. Indian tenants on company land — who grew just over half the cane supply by the 1930s — simply were not permitted to grow anything but cane, were compelled to adopt a four-year rotation system, and were put under great pressure to plant Mauritius bean, of no cash or food value, as a green manure. In contrast, Indian cane-farmers who leased from Fijians preferred a three-year cycle in which rice was grown as a rotation crop, and which permitted annual harvesting of two-thirds of the farm area — while CSR tenants harvested half (Moynagh 1981:125-30; CSO 2558/1930, F2/243; Mayer 1973:38-41).

There can be no doubt, then, that if CSR had not been so firmly, and so wrongly (CSO F2/252), committed to sugar cane monoculture at the farm level, the area under rice cultivation in Fiji would have been considerably in excess of the 16,350 acres grown in 1938, food import-substitution more advanced, and the Indian cane-farmer better off. Yet before 1939, CSR persisted with a prohibition of supplementary subsistence production on tenant farms, while Indians on Fijian leases tended to mine the land not because their leases were too short at twenty-one years, as conventional wisdom then and later had it, but because they were heavily in debt and needed to extract every penny out of land they occupied on average for just seven years before it was transferred to other land-hungry peasants (CSO F2/243). Only the anticipated effects of Japanese invasion on southeast Asia's rice exports prompted CSR's general manager to alter company policy; in April 1939, he informed Fiji mill managers that tenants were to be allowed to plant between a half and one acre in food crops as a temporary emergency measure (Mayer 1973:41; CSO F6/1/1). And if the hegemony of sugar on CSR tenant farms could be guaranteed by company edict, its

leadership colony-wide could be reinforced by forestalling attempts at agricultural diversification. CSR's monopoly of the only extensive land transport network allowed the company to hinder alternative private and government-sponsored cash crop investment, notably of cotton, by refusing railway carriage to everyone except canegrowers. CSR also successfully played on Imperial and colonial government fears for white sugar planters' futures in the event that CSR restricted investment or even withdrew from Fiji, and caused government to abandon plans for a public railway scheme (Moynagh 1981:61-3, 134; *Legislative Council Debates* 1925; Day 1948).

So CSR quite rigidly adhered to a one-eyed policy of sugar staple development, using its powers as landlord, milling monopsonist and transport owner, and its influence with government, to make company policy colonial policy. However, CSR should not be simplistically characterized as an omnipotent corporate villain imposing its evil will on a powerless population, partly by manipulating a puppet colonial government. By the late 1930s, the company's landholdings totalled 67,000 acres freehold and 81,000 acres leasehold, of which a third was cane land mostly leased to tenant farmers. This meant CSR owned just 13 per cent of the freehold land in Fiji, held 27 per cent of the area leased from Fijians, and acted as landlord to half the canegrowers (Stanner 1953:194; Coulter 1940:33). Clearly, the company could not prevent diverse agricultural development by refusing access to the land resource. Nor did it attempt to engage in a clumsy exercise of naked power of the sort which had once made rice growing in British Guiana a criminal offence in order to keep labour on the sugar plantations (Masefield 1950:47). An individual owning land or leasing from Fijians was free to grow any crop he chose, just as the merchant with profits was free to invest in anything which promised more profits. For both, final choice depended on options. And the fact was that experience suggested money was most easily made in sugar and sugar-related activity.

Europeans tried a range of alternative export crops in Fiji over the years 1875-1939. As an acting governor told the Colonial Office in 1933, sugar export dependence had not resulted from lack of enterprise in other directions (C083/203). It happened, however, that enterprise ended, more often sooner than later, in failure - except for the establishment of copra's hegemony in eastern Fiji following the 1870s cotton collapse. Bananas were an export of importance until the post-World War I closure of the Australian market reduced the trade to quantitative insignificance. Coffee plantations succumbed to disease in the 1880s. Abortive attempts were made to produce cocoa. Thousands of pounds were invested in rubber planting after 1919, only to be lost in the late 1920s conditions of world oversupply and rapid price decline. Many thousands invested in pineapple growing after 1926 were lost in the Great Depression, as were small 1920s investments in a cotton revival.

On the import-substitution side, except for a shortlived tobacco industry and two temporarily successful tea plantations (CSO 653/1893; *Fiji Blue Books* 1895-96, 1929-30), nothing was achieved until early in the twentieth century, when three in every four Indians who were physically free of the indenture system became farmers specializing in cane and supplementing their income with rice growing (O'Loughlin 1956:5; Mayer 1963:29). Further rice production occurred on mixed farms which collectively also produced maize, beans, peas and pulses, and various other food crops for local markets - with the result that rice production outpaced the rising Indian population down to 1936. Here was the most significant evidence that the money economy was spreading from the foreign trade to the domestic sector of the colonial economy. Additionally, some Indians were dairy farmers and, with European farmers sponsored by government from 1920, contributed to a degree of success in dairy product import-substitution (*Fiji Blue Books*; O'Loughlin 1956:21).

Such was the extent of Fiji's agricultural diversity at the end of six decades of growth and depression. The only sustained processing of agricultural output was the milling of sugar cane, though a coconut oil mill operated from 1923. The only production outside the agricultural sector was of soap, biscuits and, briefly, canned meat. It is significant that the investment in manufacturing outside of sugar milling was mostly made by a locally-born merchant, Maynard Hedstrom. Had Burns Philp & Co. been a domestic company, and had the profits from banking, shipping and raw sugar production been more in domestic hands, there probably would have been more interest in domestic reinvestment. But profits were largely in foreign hands, including those of the Gujarati and Punjabi traders and artisans who regarded India as home. Even Morris, Hedstrom was 60 per cent foreign-owned by 1931. And the highest profits were earned in the various facets of the export-import business founded on sugar and copra production, so that reinvestment in that same business was natural (MH; BP; *Fiji Blue Books*).

Basically therefore, the high rate of export growth experienced between 1882 and 1913 had a very limited impact on colonial production and employment outside the foreign trade sector, not only because export income was unequally distributed and partly repatriated to Australasia as profits, but also because the usage of income received in the colony confirmed its export orientation and did little to reduce import dependence. The willingness and ability of government to tap into the export income stream and to use the proceeds to increase productive capacity consequently became all the more crucial to Fiji's long-term development prospects. Of particular importance was the extent to which government helped create a more productive and diversified agriculture and human, social and physical infrastructure (Lewis 1978a:192, 217).

The role of government

Real export expansion generated an increasing amount of government revenue. By 1915 revenue was seventeen times the 1875 level because of increasingly heavy tariff impositions which fell on consumers (*Fiji Blue Books; Ordinances* 1898, 1907). In 1911, the merchant Maynard Hedstrom could candidly and accurately tell the Legislative Council that 'The people who profit by the prosperity of the colony are the landowners and the merchants and capitalists, and these are the people who escape almost scot free under our present [taxation] system' (*Legislative Council Debates* 1911). Government revenue per head of total population was nonetheless high by Empire standards at £1.7, well above the £1 received by Crown Colony government in Jamaica (a favourite colony of comparison), the £0.7 generated in the Federated Malay States, and the £0.2 raised in Nigeria (Eisner 1961:134, 369; Lim 1977:245, 249; Helleiner 1966:429; Birnberg and Resnick 1975:301). On these figures, it might be suggested that public investment could have been financed directly out of taxation and the borrowing which a healthy revenue made possible. But if Fiji's colonial government was typical of governments of the time in that it undertaxed, it was equally typical in its underspending (Reynolds 1980:93). Where Jamaica borrowed to build roads, Fiji lived within its revenue.

During the first twenty years of colonial rule, this meant the government did little beyond maintaining law and order. Agricultural depression and hurricane hit so hard in the 1880s that revenue did not reach pre-depression levels until 1900; and the Imperial government would provide no assistance beyond an establishment loan of £105,000 in 1876 and a £150,000 loan in 1880, which went almost entirely on paying off pre-Cession government debts, administrative expenses, and construction of a capital at Suva. Colonial government survived on a £50,000 overdraft with the Bank of New Zealand and adjusted expenditure to revenue by retrenching staff and paying those who remained less. Health (largely mission-provided), education and public works had to be neglected, and thought of agricultural research and experimentation abandoned. Even in the better years 1890-97, the average annual surplus of revenue over current expenditure and loan repayments was a mere £2000. If economic development in the British Empire was a matter for the colonies themselves, what was required for a better government performance in Fiji was revenue growth (Abbott 1971:68; CSR 2190; *Fiji Blue Books*; Joyce 1971:47, 52-3).

Such growth came with the rapid export expansion of 1900-15. Where John Bates Thurston ended with £74,000 in his last full year as governor (1896), Sir Everard im Thurn had almost £200,000 at his disposal during his first full year as governor (1905), and could effectively pursue an economic policy priority: despite an almost threefold increase in current expenditure between 1899 and 1911, public works capital expenditure rose five times, while still permitting a substantial increase in accumulated surplus

balances (*Fiji Blue Books*). Spending was concentrated on the rapidly-growing Suva urban area, and was welcomed by white town councillors (Whitelaw 1966:50-1, 56-7). But, they argued, government public works did not go far enough either financially or geographically. Foreign development loans had not been raised; and the only significant physical infrastructure developments outside Suva in 1900-11 were CSR's.

Loan-financing of public works continued to be ruled out by those whom Hedstrom dubbed 'the autocrats of Downing Street' (*Legislative Council Debates* 1919; CO 83/92), and although government increased import duties and, against strong CSR opposition, introduced export duties, company income tax, and an excess profits tax in 1916-21, the resultant growth provided no opportunity for major increases in expenditure on transport, schools, hospitals and agriculture. While revenue grew by £177,000 in 1915-22, current expenditure increased by £256,000 because of civil service pay increases, costs arising from the 1920 Suva strike, a soldier settlement dairy scheme and, heaviest of all, the cost of repatriating time-expired Indian labourers. Public works capital expenditure in 1922 was a mere 15 per cent higher than in 1915, and only because of 150,000 in Crown Agent advances against future government revenue (Knapman 1983:434-41).

Not surprisingly, there was a degree of desperation in the government case for increased taxation, especially after CSR, already successfully evading excess profits tax and minimizing income tax, took the company case against export duties straight to the Colonial Office in 1922, threatened to quit Fiji - and won (CO 83/158; Gillion 1977:86-91; CSR 2923; *Legislative Council Debates* 1923). Yet, in the event, a once-for-all cut in administrative expenditure together with revenue-raising through an increased tariff restored government to a conventionally sound financial position. Down to 1928, budget surpluses were recorded and physical and social infrastructure development accelerated. Road and bridge construction more than tripled the total distance car-owners could travel without renegotiating familiar territory; a Levuka wharf, a Central Medical School, and government buildings were constructed; and Suva was supplied with water and electricity. Current expenditure increases included limited additional spending on health and education. There was some government involvement in dairying, cotton, pineapples, rice and eradication of coconut diseases. But even the latter, a 'classic in biological control' according to the Shephard report on agricultural policy (CSO F2/243), was achieved in spite of a resource constraint which in the opinion of governor Sir Murchison Fletcher (1929-36) was general: 'The Colony has been starved of development through lack of money, and all sections of the community ... are crying out for assistance in this way or that' (CO 83/190).

More precisely, Fiji was development-starved because locally-generated funds had not been tapped as effectively as they might

have been, and because of imperial financial conservatism. Had government been more aggressive early in the twentieth century, it would have captured a share of sugar export income. Had it been better supplied with tax accountants, it would have acquired a larger share of repatriated profits through income taxation. Had Imperial government not required investment of monetary reserves associated with the government note issue and savings bank in British or colonial securities, the reserves could have contributed to Fiji's development. There were, after all, local investors looking for non-existent local financial securities. In 1916, a local debenture issue to finance the war effort had raised £394,000 of which £321,000 came in equal proportions from companies and individuals in the colony. Maynard Hedstrom contended in 1928 that one local business had invested £40-50,000 in Australian and New Zealand stocks for lack of local stock issues (*Ordinances* 1916; *Legislative Council Debates* 1917, 1928).

But Fiji's was a dependent colonial economy in which monetary development had not proceeded far, so that the foregoing is a might-have-been. The important historical conjunction of 1929 was the arrival of a development-minded governor at a time when imperial policy began encouraging loan-financed colonial development through the Colonial Development Bill, a bill which provided for up to £1 million in colonial grants and loans annually and which, more importantly, promoted borrowing on the open market if the colonial government's credit-rating were good and its development projects sound (Abbott 1971).

Governor Fletcher's predecessor observed that Fiji's standing in the London market was 'very desirable' (*Legislative Council Debates* 1928). And Fletcher had neither doubts about where the development priority lay, nor any inclination to cave in to CSR opposition to loan-financed public works, as if Fiji were no more than a subsidiary company. He pushed his plans through the Colonial Office, and initiated the raising and spending of £661,000 in loan funds between 1929 and 1939, £302,000 on roads alone, £135,000 on new, conspicuously concrete, government buildings, £95,000 on a combination of roads, schools, water supplies and other works, and £75,000 on loan repayments. Current and accumulated revenue provided a further £669,000 for public works during this period and, added to loan-financed expenditure, brought the total spending on public capital works in eleven years to £1.3 million, more than the spending in the twenty years 1900-28, and 44 per cent of the total £3.0 million in public works capital expenditure during the whole colonial period 1875-1939. If government's investment spending during these later years rivalled CSR's, it was because of a surge beginning in the depths of depression (*Legislative Council Paper* no.2 1930; CSO 2558/1930; CO 83/190; *Ordinances* 1929-30, 1932, 1934, 1937; *Fiji Blue Books*).

Moreover, physical infrastructure development was achieved without the financial recklessness and new tax impositions feared

by CSR management. Indeed, as the Bank of New South Wales Suva branch manager observed in writing to the chief inspector in Sydney in November 1937 (BNSW): 'The conduct of the Colony's public finance is a model of financial rectitude. The provisions for sinking funds and debt redemption would delight the heart of the most timid and elderly gentleman in Lombard Street, however imbued with the canons of Victorian financial orthodoxy'. Slightly reduced spending on general services was the price of such delight. Expenditure on medicine and public health could do little more than maintain existing services, though it should be mentioned that there were general hospitals in Suva, Lautoka, Labasa, and Levuka; several provincial hospitals and dispensaries; and a leper station. Changes in education policy could not be fully implemented for lack of funds: the takeover of mission schools in the interests of coordinated and ultimately compulsory primary schooling was successful only because the new Fijian District Schools were run and financed by local populations; while government restricted itself to establishing some primary schools and one secondary school for Indians, one teacher training school, an agricultural school for around forty Fijians, and a technical school. An Agriculture Department redirecting its efforts to modernizing Fijian agriculture by concentrating on 700 Fijians exempt from communal duties was similarly hampered. Research projects on banana cultivation, coconut palm breeding, Fijian food crops, and pasture cultivation were all either halted or abandoned completely because of inadequate staffing and money (Naval Intelligence Division 1944:186-9, 191-2, 197; Usher 1943:35, 39; Whitehead 1981:4, 23-4, 28; Mann 1935:32; CSO F2/132, F2/243).

To summarize in a sentence, colonial government in Fiji, like colonial government in general (Reynolds 1980:93), made its firmest contribution to foundations for future development by creating physical infrastructure.

Capitalist colonial development: theory and reality

In its essentials therefore, Fiji's development history in the years between 1875 and 1939 can be captured by a general model of the colonial enclave economy (Reynolds 1977:157-8). Export growth – largely but not entirely based on foreign factors of production – gave rise to increased income which was distributed very unequally, repatriated as profits, spent on imports, and partly captured by government for import-intensive expenditure aimed to some extent at promoting export supplies. Beyond sugar and copra processing, and butter, soap and biscuit production, there was no manufacturing development.

Some would argue from these uncontentious facts that Fiji is just another exemplar of the operation of a general law: capitalism caused underdevelopment. In the quotation in the introductory section of this chapter, Rodney describes the growth

of enclave export-import sectors as the development of 'dependency and underdevelopment'. The well-known popularizer André Gunder Frank (1978:148-9) describes the creation and growth of a primary export economy characterized by unequal income distribution and considerable profit repatriation as 'the capitalist development of underdevelopment'. And as Denoon (1985:119) observes, 'the underdevelopment wheel has now been reinvented in the islands of the central Pacific'. For Fiji, Samy (1978:23) notes that 'the economy developed at the initiative and discretion of mainly Australian capital; organised, structured and controlled from the very beginning'. Narsey (1979:66-7) asserts that 'in Fiji as in most comparable Third World economies, foreign dominance of the economy is seen to be a cause of underdevelopment ... the sugar industry was the primary generator of surplus in Fiji, and this surplus was repatriated back to Australia'. Most recently, Narayan (1984:129) concludes that dependence on the world economy 'and the consequent dominance through foreign ownership and control over the means of production, distribution, and exchange' have led Fiji to the edge of a 'perilous abyss'. Salvation allegedly lies in opting out of the world capitalist trade, investment and technology network.

But the conceptual, theoretical and empirical foundations of the neo-Marxist underdevelopment thesis are unsound. First, the general proposition that capitalism caused 'underdevelopment' is mere tautology. As Booth (1985:762) argues, satisfactory (classical capitalist) 'development' is *identified* as 'autonomous' or 'self-sustaining', that is, as non-dependent. Dependent development, labelled 'underdevelopment', thereby becomes unsatisfactory, by definition; and since dependent development in the periphery is clearly the historical product of metropolitan capitalism, it is bound to be true that capitalism caused 'underdevelopment'. What the latter actually means in terms of economic welfare is not always clear. Warren (1980:112), writing from a classic Marxist perspective, takes 'underdevelopment' to mean that since the Industrial Revolution Third World peoples have been increasingly worse fed, worse housed, more disease-ridden, less productively employed, and more subject to rising inequality domestically — and produces evidence to the contrary. Such economic retrogression may be in the minds of some Fiji radicals (Rokotuivuna *et al.* 1973:3), who write that 'western "investment" development, our research suggests, will impoverish the majority of the population'. Yet it seems more likely that what concerns the neo-Marxists is relative poverty. Amin (1977:110) argues that the periphery is 'marginalized' — 'not in absolute terms, but in relative terms, as shown by the increasing gap between national products'. Narsey (1979:66) is similarly explicit:

The bulk of the people of Fiji are fighting a losing battle with the inflationary cost of living on incomes that has for decades condemned them to poverty: with prices comparable to those of Australia and New Zealand, the incomes of wage-earners in Fiji have been merely a fraction of Australian and New Zealand wages.

If this is what it means to be underdeveloped, then the prospects for becoming developed are bleak indeed, for simple algebra dictates that the income gap between industrial market and Third World economies would take many years to bridge. Reviewing twenty-five years of economic development, Morawetz (1977:28) estimates that 'Even amongst the fastest-growing developing countries, only eight would close the gap within 100 years, and only sixteen would close it within 1,000 years'. What really matters in these circumstances is the absolute level of income and how it is distributed *domestically*.

This brings us to criticism of the underdevelopment thesis on theoretical and empirical grounds. The thesis may have proved itself to be 'an electric combination of orthodox economic theory and revolutionary phraseology' (Kay 1975:103); but the theory is simplistic, and has been rejected as such by the orthodox. Essentially, the argument advanced by economists immediately after World War II was that development was a matter of economic growth, which in turn was the result of capital accumulation. The neo-Marxist twist, first advanced by Baran (1952), was to argue that capital accumulation did not occur to an adequate extent in peripheral capitalist countries because economic surplus was repatriated as profits and appropriated by domestic, consumption-oriented elites. Thus Barratt Brown (1974:139) asserts that:

British capital certainly did encourage development, first in Europe, then in the United States and then in the dominions, but not in India or Latin America. India was not, of course, an empty land, and investment was internally financed, although the dividends returned to Britain; and that was cause enough for underdevelopment.

Narsey advances the same proposition in the first quotation above. The dependent economy seems doomed to 'underdevelop' so long as (part of?) its surplus is not invested domestically. In logical contradiction, it is also doomed to 'underdevelop' if economic surplus is reinvested in its entirety, since such reinvestment implies greater 'dependence'. In any case, single-variable explanations of development, and particularly the capital accumulation model, have been discredited on theoretical and empirical grounds (Streeten 1980:13-14): attitudes, institutions, entrepreneurship, techniques and 'human capital' were identified early as factors playing potentially strategic roles; and they gained prominence when statistical analyses revealed the awkward fact that capital contributed relatively little to the long-term increase in income per head in developing countries.

That the latter increase occurred at an historically unprecedented average rate between 1950 and 1975 is well established. So is the fact that there is no general causal link between the degree of capitalism, socialism, or openness of the economy, on the one hand, and the efficiency or equity of overall economic

performance on the other (Morawetz 1977; Lipton 1977:74; Srinivasan 1977). Yet neo-Marxists simply refuse to face up to the general implication of these facts, namely that the development process is too complex and varied to be captured by The-Cause-of-all-this-is-Capitalism model; and, preoccupied with why progress has not been faster rather than with actual advances, they resolutely walk away from the counter-examples to their proposition that integration into the world capitalist system reduces and even eliminates meaningful development possibilities (Griffin and Gurley 1985: 1090, 1119). Instead, they remain wedded to the belief that an alternative, better development path is, and was, available for all developing countries. The historical counterfactual is implicit in the tautology of the underdevelopment thesis and, as Leys (1982: 104) observes, is unconvincing:

Either what is implied is a superior (autonomous, inward-oriented) kind of *capitalist* development; for this to be helpful it would then have to be shown how an autonomous capitalist development could be expected to unfold without the inequalities and unevenness, the instability, crises, unemployment and wars that have characterized early capitalism elsewhere – and to do it much faster than has ever been achieved before. Or the implied suppressed alternative is a *socialist* path of development: in this case, it would be necessary to show the social and political forces capable of carrying through such a strategy, and that it could reasonably be expected to be superior. In most African countries, this would be difficult, to say the least. There has to be something wrong with a conceptualization, the import of which is that the world should be other than it can be.

In the case of Fiji, to suggest that an incipient, evil-free, autonomous capitalist or socialist development was nipped in the bud by Australasian economic imperialism and British political imperialism is to indulge in capricious fantasy. There *were* options, but realistically they did not include evolution in isolation or a superior form of foreign-dominated capitalist development. As argued in Chapter 1, the likely alternative to the actual form taken by capitalist colonial development in Fiji was an attempt at large-scale white settler development founded on dispossession and forced rural proletarianization of Fijians. And who holds up South Africa, Southern Rhodesia and Kenya as models of colonial development for which Fiji ought to have been the prototype?

One radical response to the foregoing general criticisms of the neo-Marxist dependency/underdevelopment school has been to return to 'classic' Marxism, according to which 'The country that is more developed industrially only shows, to the less-developed, the image of its own future' (Marx 1969:92). Thus Warren (1980) argues that colonialism and imperialism were engines of progressive, though uneven, economic and social change. But for all the

convincing evidence advanced in support of this proposition, the explanation of Third World development as simply the result of an expanding capitalist mode of production is — like the conservative conception of unilinear development (Rostow 1960) — so general as to risk being abstractly platitudinous, to borrow Barrington Moore's (1967:x) phrase. Certainly much of potential importance is ignored by the Capitalism-is-the-Cause-of-Development approach (Booth 1985:767), in the same way that a map showing only major highways leaves out details essential to finding one's way in the suburbs; and Warren (1978:8) himself notes 'the immense heterogeneity of the societies of the Third World'. Hence the initial appeal of the 'articulation' of modes of production approach (Foster-Carter 1978), which finds its intellectual pedigree in Marx's statement in volume three of *Kapital* that the extent of (merchant) capital's 'dissolution of the old [non-capitalist] mode of production depends on its solidity and internal structure' (quoted in Leys 1974:6), and which is advocated by Denoon (1985) as analytically useful in studying Pacific islands development. However, the 'growing aridity and final inconclusiveness of the "mode of production" debate is now widely acknowledged', and can be attributed to conceptual tangles arising out of 'the attempt to theorize the status of a group of national social formations each with distinct economic, political and social histories employing only the abstract and universal "laws" of the capitalist mode of production, or some alternative framework of (metatheoretically) the same type' (Booth 1985:768, 774). At base, both radical and conservative perspectives founder because they attempt the impossible — to reach the commanding heights of universal blue-printing.

To make this judgment, and specifically to reject the neo-Marxist underdevelopment thesis, is neither to abandon theory for 'hit-and-run empiricism' (Lipton 1977:75), nor to eulogize peripheral capitalism in Fiji. It is only to make a plea for exploration — aided by principles and theory — of distinctive country experiences, for 'the depiction of a more complex multi-toned canvas which is truer to reality than black and white would be' (Griffin and Gurley 1985:1120). For the sugar colony of Fiji, an exceptionally high export growth rate in the period 1875-1915 did not create an economic and social paradise. As argued earlier in this chapter and elaborated by Lewis (1978b), inasmuch as tropical prices and wages were set by the low level of tropical agricultural productivity, trade generally offered tropical countries the opportunity to stay relatively poor; the domination of foreign capital in Fiji guaranteed an external drain and worked against any increase in agricultural productivity that would have raised the opportunity cost of labour; Indian indentured labourers were severely exploited by their white employers; and Indian peasants were exploited by their Indian moneylenders. Government did little successfully to alter the single-crop export orientation of the colonial economy; had limited success in substituting Western for indigenous medical and public health practices (Spencer

1941:viii); and neglected education. Despite a literacy rate in their own language of 84 per cent in 1936, Fijians, like the less literate Indians, had access to only one secondary school which did not take them to university entrance level (Naval Intelligence Division 1944:190).

Nevertheless, there *was* development in Fiji in two basic senses. First, there was initiated a process of structural change involving changes in output composition and in the technical and institutional arrangements by which output was produced (Flammang 1979). Second, largely as a result of structural change, there was output and per capita output growth which yielded an economic surplus to capitalists and trickled down in small part to Indians and Fijians. Monetary exchange spread, production was reorganized, and even some Fijian wage labour became less attached to the land; and though the structure and ownership of the colonial economy were not conducive to local accumulation and diversification, they did not totally preclude it either – as Frank (1978:22) concedes in discussing plantation economies, and as the evidence on Fiji in this monograph demonstrates. Economic imperialism created opportunities as well as constraints.

It is important also to acknowledge that other constraints existed independently of the form of incorporation into the world capitalist economy, and accounted for at least some of the failures of capitalist enterprise in Fiji. Rainfall variability, continuous heat, and pests constituted additional obstacles to tropical agricultural development: 'The tropics are littered with the ruins of development projects that refused to recognize these special problems' (Kamarck 1976:18). Smallness of population and geographic area limited the opportunities for inward-oriented development and, with smallness in terms of productive capacity, by itself made Fiji dependent (Selwyn 1975:10; see also *Regional Development Dialogue*, Fall 1982). Isolation in these circumstances became a development hindrance too, adding to transport costs and blunting Fiji's competitive edge as a tropical exporter. All these are obvious points too easily ignored by those who would make Fiji's actual historical development just another predictable chapter in a story of peripheral underdevelopment through metropolitan capital's surplus extraction and who, in seeking to discredit rather than understand capitalism in Fiji, write as though it were not responsible for the economic development which *did* occur, the income growth and the associated physical, social and human infrastructure development.

It must be repeated that Fiji's development history is not a uniformly happy one. Nothing indicates this more clearly than the humiliation and suffering of indentured Indians on the sugar plantations. Yet out of the humiliation and suffering came a potential for economic advance:

indenture ... was a journey undertaken to find security in this life, an ingredient largely missing in village India. *Narak* (the hell of the plantations) and *kasbighar* (the brothel-like plantation lines) were landmarks on this trek ... an inevitable purgatory towards an earthly paradise ... If one were a lowly peasant appearing predestined to poverty, migration offered an escape towards the enjoyment of some material benefits in the present life (Ali 1979:xxvii, xxix).

Moreover, presided over by a colonial state initially determined not to elevate economic over social values in indigenous society, the Indians' journey through hell to greater material well-being was a sacrifice which permitted Fijians — never at minimum subsistence level — to acquire material benefits under colonialism without experiencing the same journey. Regardless of what outsiders thought about the need for dragging Fijians into the 'modern world' through forced individualization, the land-owning Fijians themselves could effectively impose their own time scale on the development process of which they were a part.

The price of the colonial state's protective modification of Fijians' incorporation into world capitalism ultimately was the presence of a fast-growing Indian majority in the country. The socio-economic problems of 'plural society' added a complicating dimension to the typical development problems of population growth, consciousness of relative material deprivation, primary export dependence, and grievances against foreign economic domination. Indisputably, and trivially, none of these problems would have arisen had not imperialism opened up Fiji. Equally, and substantively, counterfactually-constructed alternative paths of development to that actually followed must be assessed as either utopian or inferior. Fiji's relatively undisturbed colonial history, 1874-1939, was not the only history that could have occurred. It was simply that most preferred in the circumstances.

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