THE MIRAB ECONOMY IN SOUTH PACIFIC MICROSTATES

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RECENT discussion in the pages of *Pacific Viewpoint* has addressed the problems of agricultural production and development in small Pacific Island economies.[1] Watters has suggested that the stagnation or decline of village agriculture in the region must be understood in terms of two key elements: the village mode of production, and the wider economic environment which conditions decision-making within the village. In this paper we develop these themes at greater length, focusing on aggregate economic indicators rather than detailed field work, but obtaining results which we believe to be consistent with the field-research record, and helpful in interpreting it.

Conventional models of economic and social development (which have provided the basis of most writing on South Pacific agricultural development) incorporate labour migration, remittances, overseas aid, and the government sector, but assume that these form part of the development process without dominating it. Our concern here is with a class of economies and societies in which the combined effect of migration, remittances, aid and bureaucracy (hereafter abbreviated to MIRAB) now *determines* the evolution of the system.

This paper describes the emergence of the MIRAB system in five very small Pacific island countries, considers some policy implications, and suggests that MIRAB systems are likely to prove more durable and sustainable than some observers expect.[2] Our concern here is to outline the argument. A subsequent paper in this journal will relate it to the existing literature on Pacific island development issues.[3]

THE ELEMENTS

In this section we set out some of the conceptual bases for our MIRAB framework, looking in turn at migration, aid, bureaucracy, and the combination of these elements in the MIRAB system.

[1] Hardaker, Fleming and Harris (1984, 1984b); Watters (1984).

[2] Harold Brookfield, for example (pers. comm. 1985), has suggested that these societies would be better classified under the heading MIRAGE, a reference to a belief in their non-sustainability.

[3] Bertram and Watters, forthcoming in *Pacific Viewpoint* 27(1), May 1986.

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Migration

In the literature on less developed economies, migration has been discussed extensively, but usually in terms of models which treat inter-regional or inter-sectoral labour movement by *individual workers* as a single-valued response to relative price signals.[4] There is also a considerable body of literature on "circular migration", particularly in Africa, focusing again on the life-cycle decisions of individual workers.[5]

In recent years, two alternative formulations have gained appeal. Models of so-called "articulation of modes of production"[6] suggest a symbiotic interrelationship between subsistence agriculture and "modern sector" firms, with the former providing cheap labour for the latter by ensuring the reproduction of labour and thus permitting a reduction in the modern-sector wage. Where the modern sector is geographically separate from the subsistence sector (as is the case with the growth poles of the South Pacific region) the relationship between the two halves of the dual economy involves processes of migration and remittances, and mutual adjustment by both poles to the imperatives of the modern sector's development. Discussion of such adjustments has on occasion been cast in terms of the useful conceptual apparatus of "cumulative causation" and "backwash effects" drawn from Myrdal.[7] To the extent that the analysis focuses on the dynamics of adjustment in the "subsistence" or "traditional" sector rather than upon the processes of capitalist development and accumulation in the modern growth pole, it points the way towards the model[8] to be presented here.

A second recent development has been a reappraisal of the balance of costs and benefits of out-migration from the point of view of the sending community. In contrast to the common approach of treating out-migration as a straightforward developmental loss to the community of origin, the new writings emphasise the extent to which migration, if viewed as a *collective* decision by migrants' family units rather than an *individual* decision by migrants themselves, can be seen as a "profitable" allocation of household resources, potentially of long-run benefit to the growth of living standards in the sending community. For example Griffin[9] suggests that migration is a rational allocation of labour units by the peasant household, in order to raise that household's *collective*

[4] Lewis (1954), Ranis and Fei (1961), Harris and Todaro (1970).

[5] Elkan (1967), Bedford (1973), Bathgate (1973).

[6] Wolpe (1982), Clammer (1978), Perrings (1979).

[7] Myrdal (1957).

[8] Our MIRAB concept has much in common with the models of "Dutch disease" (de-industrialisation) in the mainstream economics journals, e.g. Corden and Neary (1982), Van Wijnbergen (1984).

[9] Griffin (1976).

consumption and investment possibilities. Figueroa[10] in his study of Peruvian highland peasant communities, finds that on average half of total household income arises from off-farm employment, much of it at a considerable distance from the village.[11]

Migration from the small Pacific island societies appears to correspond quite well to this last group of models. The movement of individuals takes place without severing the links binding them in their kin group of origin; and post-migration behaviour — the sending of remittances, and reciprocal visiting between the parts of geographically-extended kin groups — suggests the idea of an emerging new institution, the "transnational corporation of kin", allowing kin groups to colonize and exploit economic opportunities across a wide range of economic environments.

Aid

The second element in the MIRAB system is aid. A long tradition in development economics treats aid as a supplement to domestic savings and/or foreign exchange earning capacity, with domestic resources providing the mainstay of economic growth and aid in a subsidiary role.[12] There has however been much discussion since 1970 of the question as to whether international aid flows should be viewed as supplements to the recipients' domestic *consumption* rather than *savings*.[13] To the extent that aid inflows are viewed as additional income, rather than additional investment, it follows that both savings and consumption in the recipient economy will be affected by changes in aid flows, but numerous writers have resisted the possibility that aid may "crowd out" domestic savings and investment in an absolute sense. We shall argue below that in the MIRAB setting, the role of aid differs substantially from textbook stereotypes.

"Aid" to these communities, although usually described as "development aid", has in fact tended to have the character of a straightforward supplement to local incomes and consumption, and accounts for a large proportion of both. Up to half the budget of local governments is financed from offshore donors, and the share of government employment in total cash employment on the islands ranges from about half to over 90 percent. In balance-of-payments terms, aid inflows finance between 40 percent and over 100 percent of imports. Aid is, clearly, crucial rather than peripheral in the determination of incomes and consumption levels.

[10] Figueroa (1984).
[11] A useful recent survey of some of this literature is in Hayes (1982): chapter 2.
[12] E.g. Chenery and Strout (1966).
[13] Griffin and Enos (1970), Griffin (1970); Newlyn (1977).

The other side of the aid coin is that these economies exhibit low capital-absorptive capacity — that is, profitable investment opportunities are few and far between, so that the possibility of utilising present aid flows for productive investment purposes does not exist. We argue below that in addition to the obvious resource limitations of small island environments, these economies exhibit the symptoms of so-called "Dutch disease" — real exchange rates held up by large rent inflows, and effectively discouraging the expansion of tradeable-goods production.[14] Rents are income flows which are dissociated from any directly productive activity on the part of the recipient. Grant aid is effectively a rent, comparable to oil export revenues. Several other key sources of cash income in MIRAB systems are also best treated as rents — remittances from relatives overseas and philatelic revenue are good examples.

Bureaucracy

It is clear from the sketchy data available that the government sector is now the dominant cash employer in the five economies analysed below. With the exception of a few old-established trading firms, capitalist enterprises in the modern sector are few, relatively small, and usually based upon the employment of part-time or female labour which is available relatively cheaply from the village sector labour force. The government sector accounts for about 52 percent of total cash employment in the Cook Islands,[15] over 90 percent in Tokelau, over 85 percent in Niue (on the basis of unpublished preliminary results from the 1981 census), 80 percent in Kiribati,[16] and over 60 percent in Tuvalu.[17] The remaining cash employment, apart from that in the Rarotonga tourist industry, is in small trading and manufacturing establishments, such as the clothing "factories" of Rarotonga, the coconut-cream and lime-juice plant on Niue, and the missions and cooperative stores of Tokelau, Kiribati and Tuvalu.

With percentages such as the above, it is clear that a large proportion of the kin groups in the Islands are likely to have members working in the local government service at some level, so that wages and salaries paid out by government constitute a widely-dispersed source of cash income for households in the village sector. Because government activities (especially white-collar jobs) tend to concentrate on one island, or in one village, the process of placing household

[14] The concept of Dutch disease is also dealt with by Richard Willis in 'Development New Zealand' later in this issue.

[15] Hayes (1983): 193.

[16] Asian Development Bank (1983): 8.

[17] Bertram (1980).

members into government employment often involves a process of internal migration, with subsequent remittances back to the home island or village.

MIRAB Systems

A number of the very small island societies of the South Pacific have developed economic and social structures of the sort outlined above. A large proportion of their labour force — in several cases, half — is resident overseas on a long-term basis, without severing their economic, social and cultural links with the home community. Remittances in cash and kind from these workers are distributed through kin-group channels to provide a major source of disposable income in the island economy. The migration is neither on a clear life-cycle basis, nor in the form of a severing of the ties between the migrant and his/her home community and household. Rather, the process appears to involve the internationalisation of the economic activities of island kin groups or households, acting to allocate their labour resources internationally to take advantage of niches of economic opportunity. The resulting economic units, which can be described as "transnational corporations of kin"[18] resemble the familiar transnational corporations of the global modern sector in their allocation of resources and transfers of income between units within the group. Where, for example, disposable incomes in the home community exceed desired absorption of resources by those resident there, net transfers will flow out of, rather than into, the island economy.

These patterns of migration and aid flow directly from the history of colonialism and decolonisation. This paper will suggest first, that the processes of social and economic change in the small Island societies have to be understood in terms of local adjustment to external forces, rather than as endogenously-driven development; and second, that both the transnational corporation of kin, and the large-scale flows of unrequited aid, appear capable of continuous reproduction at least until the turn of the century. In many of the new states of the Pacific, establishing the conditions for "modernisation" has meant an increase in "dependence";[19] the two go hand in hand and are not alternatives.

THE SOUTH PACIFIC CASE

This section illustrates the emergence and dimensions of the MIRAB structure, using long-run statistical material for five small South Pacific communities: Cook Islands, Niue, Tokelau, Tuvalu and Kiribati.[20]

[18] Cf Loomis (1984b), Marcus (1981).
[19] Cf Kelly (1984): 13.
[20] The data, and most of the analysis, are drawn from a recent study of these societies sponsored by the Institute of Policy Studies, Victoria University of Wellington; Bertram and Watters (1984).

Migration

Migration is not, of course, a new phenomenon for Pacific Island peoples. At the beginning of the 1950s most small island societies in the South Pacific had a fair number of individuals with experience of travel and employment in the wider region. The notion of migrating to cash employment, as an alternative to working in petty commodity production at home, was well-established, and opportunities to do so were readily taken up as they became available.

Beginning in the 1950s, and to a dramatic extent in the 1960s and 1970s, the New Zealand labour market became open to migrants from those Island societies which had been included within New Zealand's sphere of colonial administration or influence: Western Samoa, the Cook Islands, Niue, Tokelau, and Tonga. The "pull factor" was the emergence in New Zealand of a tight labour market as industrialisation proceeded. The "push factor" was provided by increased population pressure in the islands, as population levels recovered from the demographic disasters of the nineteenth century. A facilitating element was

I Islands-born Population by Place of Residence: New Zealand-Linked Societies

	Cook Islands-born			Niue-born			Tokelau-born		
Year	In Cook Is.	In N.Z. (%)	Total	In Niue	In N.Z. (%)	Total	In Toke-lau	In N.Z. (%)	Total
1936	11943	157 (1)	12100	4105	54 (1)	4159	1170	0 (0)	1170
1945	13574	393 (3)	13967	4253	222 (5)	4475	1388	0 (0)	1388
1951	14757	999 (6)	15756	4553	330 (7)	4883	1571	10 (0.6)	1581
1956	17054	1992 (10)	19046	4707	753 (14)	5460	1619	7 (0.4)	1626
1961	18378	3374 (16)	21752	4868	1414 (23)	6282	1860	23 (1)	1883
1966	19251	5838 (23)	25089	5194	2014 (28)	7208	1900	248 (12)	2148
1971	21317	7389 (26)	28706	4990	2912 (37)	7902	1655	950 (36)	2605
1976	18112	12156 (40)	30268	3843	4379 (53)	8222	1575	1212 (43)	2787
1981	17695	13848 (44)	31543	3278	5091 (61)	8369	1572	1281 (45)	2853

Source: Data assembled from New Zealand and Islands census reports for years shown.

improved communication. Links between the Islands and New Zealand grew stronger as air travel extended through the region in the 1960s and 1970s.

Table I shows the impact of migration from three New Zealand-linked small territories to the metropolitan growth pole, on the basis of Islands' and New Zealand census data. In 1951, of the estimated total population of Islands-born people, those living in New Zealand comprised only 6 percent of Cook Islanders, 7 percent of Niueans, and less than 1 percent of Tokelauans. By 1981 these proportions had increased to 44 percent of Island-born Cook Islanders, 61 percent of Niueans, and 45 percent of Tokelauans. This radical reallocation of population, taking place within the space of a generation, produced dual but not separate communities. Kin and cultural ties between migrants and their home communities remain important, and the size of the migrant communities is dwarfed by the figures for gross travel flows between the Islands and New Zealand.[21] Visiting between the two halves of each community remains at a high level, as does the flow of remittances in cash and kind from migrants in New Zealand back to home communities in the Cook Islands and Tokelau — or in the case of Niue, from home communities in Niue to relatives in New Zealand.

It will be noted that as migration to New Zealand picked up sharply in the 1950s, the level of resident population in the Cook Islands and Tokelau stabilised. The *de facto* populations of these territories were virtually the same in 1981 as they had been in 1951. That of Niue, where special factors induced exceptionally strong out-migration in the 1970s, was down 28 percent. The main impact of out-migration has been to drain off net population increase. The extent to which migration was age- and sex-specific was probably greatest in the early phase and less in the more recent phase, as family dependents moved to join breadwinners established in New Zealand.[22]

[21] Recently Hayes (1984) and Bedford (1984) have shown that visiting between the Pacific Islands and New Zealand is very frequent. In the 20-year period 1962-82 gross movement of people between the Islands and New Zealand totalled 400,000. Net migration (as distinct from short-term visiting) represented only 9 percent of this figure, or 16 percent of arrivals. Hayes (1984) shows that a high proportion of the permanent Cook Islands migrants to New Zealand are skilled or semi-skilled; but this does not mean that unskilled people remain immobile in the Islands. Interviews by the present authors with members of several households in Kakupu village in Niue suggested that people lacking the skills or confidence to settle permanently in New Zealand nevertheless visit relatives there and are familiar with conditions in the metropolis.

[22] Curson (1973): 19, Table II.

The Cook Islands, Niuean and Tokelauan ethnic communities therefore now span two geographically-separate entities: the home islands and the New Zealand metropole. The New Zealand industrial labour market constitutes the "modern sector" of the Island economies, while the island-resident portion of each community operates the "non-capitalist" or "traditional" sector, together with the local government apparatus.

Given this new reality, which has been emerging steadily for four decades, it is inappropriate to analyse development prospects for either half of the islander population in isolation. The symbiotic links between the parts of this internationalised dual economy remain strong. The South Pacific (New Zealand included) is an integrated "interaction area" — a continuous socio-economic field.

Kiribati and Tuvalu present a rather different picture. As successor states of a former British colony (the Gilbert and Ellice Islands), with no access to any metropolitan labour market, these two countries display much lower levels of *overseas* migration than do the New Zealand-linked territories. As Table II shows, only 4 percent of I-Kiribati and 15 percent of Tuvaluans were resident overseas in 1979, mainly on the phosphate islands of Nauru and Banaba and as seamen on international shipping lines. These countries have nevertheless been deeply affected by the migration-remittance process — but at the intra-national level of island-to-island movement. In Kiribati, the key internal growth poles have been Banaba (until phosphates ran out in 1979) and the government centre, Tarawa. Both have attracted migrants and generated flows of remittance incomes to outer islands. The 1978 census found that 45.9 percent of I-Kiribati aged 15 and over were not resident on their home island; and 69 percent of the total population of Tarawa were in-migrants from outer islands.[23]

In Tuvalu, the internal growth pole is again the seat of government, Funafuti, where aid-financed employment in government service is available for migrants from other islands. The 1979 census[24] found 45 percent of the total population (and 50 percent of males) were resident on islands other than their islands of birth. No less than 67 percent of the total population of Funafuti (and 70 percent of its male population) consisted of in-migrants.

Remittances

The flow of remittances from overseas-resident members of Island households is a major source both of cash incomes in the village

[23] Walsh (1982): 169; Republic of Kiribati (1980) Vol. 1: table 9.
[24] Government of Tuvalu (1980): 52.

II Kiribati- and Tuvalu-Born Population by Place of Residence

Year	Kiribati-born In Kiribati	Kiribati-born Overseas (%)	Kiribati-born Total	Tuvalu-born In Tuvalu	Tuvalu-born Overseas (%)	Tuvalu-born Total
1931				3,994	95 (2)	4,089
1947	31,513			4,487	579 (11)	5,066
1963	43,336			5,444	1,319 (20)	6,763
1968	47,682	1,404 (3)	49,086	5,782	1,683 (23)	7,465
1973	51,784	1,765 (3)	53,549	5,887	1,807 (23)	7,694
1979	56,213	2,299 (4)	58,512	7,349	1,303 (15)	8,652

Sources: Annual Reports of the G.E.I.C., and census publications for the two countries.

III Some Balance-of-Payments Estimates: Annual Averages $000 at 1982 prices

	Commodity exports	—	Commodity imports	+	Philatelic & tourism	+	Aid	+	Remittances	=	Residual balance
Cook Islands											
1970-74	8,638		20,524		-		12,694		3,371		+4,179
1975-79	5,413		32,345		6,000		12,798		3,923		−4,211
1980-83	5,199		27,346		8,530		10,295		4,000		+678
Niue											
1970-74	608		3,172		-		4,700		50?		+2,186
1975-79	483		4,302		150		6,106		100?		+2,537
1980-83	568		3,984		300		5,353		300		+2,537
Kiribati											
1970-74	31,213		15,739		n.a.		n.a.		n.a.		n.a.
1975-79	35,581		18,712		1,000?		4,000		1,000		+22,069
1980-83	3,446		14,879		1,000		11,000		2,000		+2,567
Tokelau											
1970-74	85		363[a]				270[b]		8		[c]
1975-79	104		410[a]		40		236[b]		30?		[c]
1980-83	63		490[a]		100+		227[b]		100??		[c]
Tuvalu											
1979-82	124		3,021		1,500		3,500+		600		+2,703

[a] — Store goods only. [b] — Calculated as a residual. [c] — See note b.
Source: Bertram and Watters 1984:104.

economy, and of import capacity in the balance of payments for each of our five case studies except Niue. In Table III we present our estimates of the balance of payments position for the five economies in the last decade and a half, expressed in 1982 dollars. Taken as a percentage of total imports, gross remittance inflows amounted to 14 percent for the Cook Islands 1970-83, 4 percent for Niue over the same period, 8 percent for Kiribati 1975-83 (but rising to 13 percent in the 1980s following the exhaustion of phosphates), 14 percent for Tokelau 1975-83, and 20 percent for Tuvalu 1979-82. Expressed in 1982 dollars, and related to the figures for overseas-resident Islanders in Tables I and II, these remittance flows in the early 1980s were equivalent to NZ$288 per Cook Islands migrant, NZ$59 per Niuean migrant, A$870 per Kiribati migrant, NZ$78 per Tokelauan, and A$460 per Tuvaluan.

Average remittance "effort" thus measured varies quite widely. The highest rates are encountered in the case of Kiribati and Tuvalu. There are at least two reasons. First, overseas migration from these two countries is still mainly temporary, very specific to particular age and sex groups, and comprised almost entirely of productive workers. This means that the per-migrant remittance rate is very close to the per-worker rate, whereas for the New Zealand-linked cases the denominator includes many unproductive dependants. Secondly, Kiribati and Tuvalu have very limited migration outlets, so that a high value is placed on overseas employment opportunities. The best workers get these jobs, and the pressures on them to bring or send wage earnings home are much greater.

Viewed from the receiving end, gross remittance inflows accounted for NZ$226 per Cook Islands resident, NZ$92 per Niuean, A$36 per I Kiribati, NZ$64 per Tokelauan, and A$82 per Tuvaluan. Cash income per *household* from this source would of course be higher. In absolute terms the average impact on per-capita incomes from remittances appears relatively small. However, it is important to recall that remittances provide an important source of cash income in societies where most basic needs are met directly by household production within the village; and also that remittances are not evenly spread among households or through time. On some individual islands, thus, remittances are the largest single source of cash incomes; on others they may be only a minor element.

The pattern revealed in Table III is typical also of several other, larger, South Pacific island economies. Tongan data[25] show that in 1976 export earnings were equivalent to 36 percent of imports, while

[25] Ministry of Finance Report (1980), Trade Report (1980), Government of Tonga.

overseas remittances, donations and gifts accounted for 52 percent. In 1980, following an apparent sharp increase in aid inflows, exports were down to 23 percent of imports, and remittances, donations and gifts to 34 percent. For Western Samoa, data for the early 1980s suggest that money-order remittances alone financed around 15 percent of imports on average.[26]

Aid

Returning to Table III, it will be seen that aid inflows are now the dominant credit item in the balance of payments for each of the five island groups. In the first four years of the 1980s, aid has been equivalent to 38 percent of recorded imports in the Cook Islands, 134 percent in Niue, 74 percent in Kiribati, 46 percent in Tokelau, and 116 percent in Tuvalu. In all cases, these aid inflows are current-account rather than capital-account flows; that is, the funds arrive in the form of grants, not loans, and no "overhang" of accumulating overseas indebtedness results. Aid in these societies, thus, is a form of rent income arising as a return on an asset which we might describe as "aid entitlement".[27] It needs to be distinguished sharply from other, more familiar, types of aid which take the form of drawing-down a community's international credit (that is, supplementing its present purchasing power at the expense of its future disposable income). The distinction is important when addressing the question of whether "aid", as a dominant source of external cash income for very small societies, is reproducible over the long run.

The central role of external aid in the five cases in Table III is not untypical. Overseas aid to the whole South Pacific had grown to over $1 billion by 1980 — a per-capita average of A$213, or A$402 if Papua New Guinea is excluded.[28] The degree of aid dependence varies widely, with several countries receiving in 1980 over A$500 of aid per capita: Cook Islands $520, Tuvalu $573, Wallis and Futuna $676, Guam $791, French Polynesia $944, Niue $970, Tokelau $1063, American Samoa $1091, Trust Territory of the Pacific Islands $1101 and New Caledonia $1234. By 1983, largely because of inflation in the intervening period, the Cook Islands figure had risen to about $726 per capita, Tuvalu to A$1000, Niue to about $2009 and Tokelau about $1800. Kiribati, in contrast, was receiving only A$99 per capita in 1983.

Fisk[29] has described the consequences of very large per capita aid flows for the case of Niue. On the one hand aid has permitted the

26 McKenzie (1983): 19.
27 On the 'entitlement' concept see Sen (1983): 754-760 and (1981): *passim.*
28 South Pacific Commission (1984): table 12.
29 Fisk (1978).

attainment of high living standards; on the other hand it has resulted in an economic system which could not conceivably become self-sufficient without sacrificing those standards. Aid officials in the mid-1970s were hoping that Niue would in due course replace its budgetary support aid by internally generated revenue; in 1978 this would have required an additional $1.8 million of revenue, equivalent to about $450 per head of population. Since an average Niuean family of six people would not have a cash income, let alone taxpaying capacity, of $2,700 (six times $450), economic independence was clearly a long way off. Fisk could see little prospect of exports rising from the existing level of $150,000 p.a. to the required $2 million over the seven years then being canvassed as the period of aid phase-out.[30] (As Figure One shows, the average growth rate of Niuean export earnings in real terms has in fact been zero over the past 80 years.)

Bureaucracy and the Government Sector

The bulk of the aid inflow to our case study economies takes the form of budgetary support for local governments. The right-hand side of Figure One traces the expansion of government spending in real terms and the growing gap between local revenue and local expenditure (which of course corresponds to the availability of aid finance). Comparison with the commodity trade data on the left-hand side of the figure shows a close relationship between rising government expenditure (with much of the increase externally-financed except in phosphate-rich Kiribati) and the surge of commodity imports, mainly of consumer goods, which has occurred over the past four or five decades in the case study economies.

Imports provide a good indicator of changes in material living standards, despite evidence that some imported goods have crowded out traditional locally-produced staples. In each of our five economies, the rent-driven "takeoff" of imports occurred prior to decolonisation, not afterwards. The colonial powers, as an act of policy, set target living standards which they felt to be appropriate for South Pacific island populations, with high priority given to public goods such as health, education and communications. Expanding government sectors were the natural result — a process which can be described as "welfare-state colonialism".

The MIRAB Transition

The emergence of a MIRAB economy involves the appearance of new sources of cash income besides the production of export staples; as these alternatives are taken up, resources are diverted away from the production of staples. Quite apart from the very limited resource

[30] Fisk (1978): 6-8. The theme is developed further in Fisk (1981).

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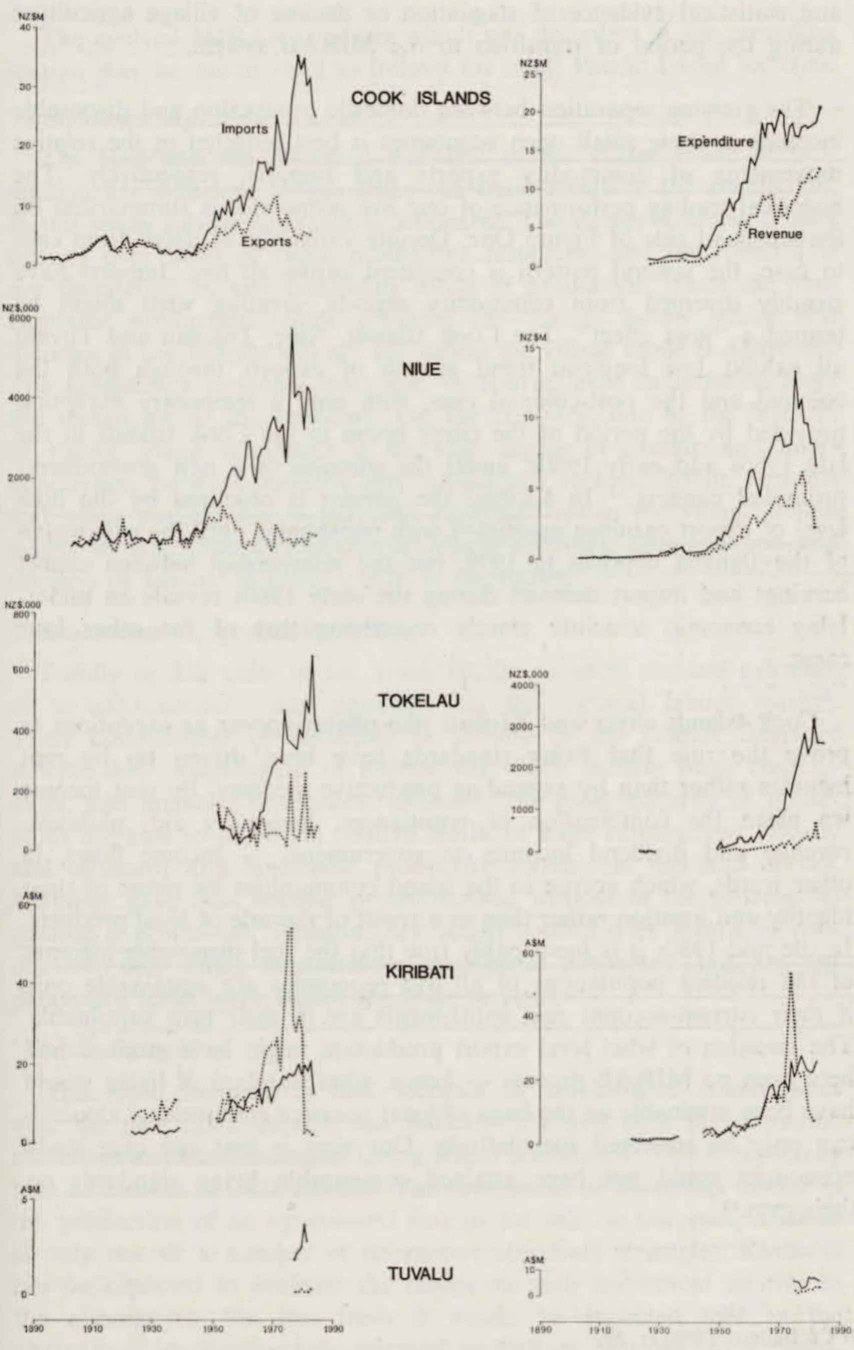

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base in the Islands, it is therefore no surprise to find both anecdotal and statistical evidence of stagnation or decline of village agriculture during the period of transition to the MIRAB system.

The growing separation between domestic production and disposable incomes in these small open economies is best reflected in the relative movements of commodity exports and imports, respectively. The historical trading performance of our five economies is summarised on the left-hand side of Figure One. Despite variations of detail from case to case, the general pattern is consistent across all five. Imports have steadily diverged from commodity exports, creating what might be termed a "jaws effect". The Cook Islands, Niue, Tokelau and Tuvalu all exhibit low long-run trend growth of exports through both the colonial and the post-colonial eras, with only a temporary exception provided by the period of the citrus boom in the Cook Islands in the late 1950s and early 1960s, under the stimulus of a new government-promoted cannery.[31] In Kiribati the pattern is obscured by the high level of export earnings associated with phosphates until the exhaustion of the Banaba deposits in 1979, but the relationship between export earnings and import demand during the early 1980s reveals an underlying economic structure closely resembling that of the other four cases.

Cook Islands citrus and Kiribati phosphates appear as exceptions to prove the rule that living standards have been driven up by rent incomes rather than by expanding productive incomes. By rent income we mean the combination of remittances, budgetary aid, philatelic revenue and dividend incomes to governments — income flows, in other words, which accrue to the island communities by virtue of their identity and location rather than as a result of the sale of local products. In the mid-1980s it is inescapably true that the real disposable incomes of the resident populations of all five economies are sustainable only if their current-account rent entitlements are in their turn sustainable. The question of what level export production might have attained had here been no MIRAB process — hence, what standard of living would have been attainable on the basis of local resource endowments alone — can only be answered speculatively. Our view is that our case study economies could not have attained comparable living standards on their own.[32]

[31] Cf Bellam (1981): 29.

[32] In this connection it is interesting to note the discussion in the current Kiribati Development Plan of the impossibility of sustaining present living standards in a situation of aid-less autarky. See also Tisdell and Fairbairn (1984).

SOME IMPLICATIONS

The evolved MIRAB structure which was described in the preceding section may be summarised as follows for small Pacific Island societies.

"Subsistence Affluence"

The land and sea resources available to the village mode of production are sufficient to guarantee the basic needs of the population. In this sense, subsistence remains attainable. The village economy retains control over most of those productive resources, and that control is not threatened by any competing mode of production. Thus the non-capitalist production sector provides the "floor" below which real incomes in the Islands will not fall unless the village mode is destroyed. The subsistence economy does not, of course, exist in isolation from the remainder of the economy. On the contrary, one of the features of Pacific island economies is the high degree of overlap and interpenetration between modern and subsistence sectors. Public servants and other participants in the cash economy live in the village, retain access to land, and participate in village activities. Specialisation and division of labour, in other words, is incomplete.

Transnational Corporations of Kin

Family or kin units in the small Pacific societies act and calculate on a transnational scale, especially via the regional labour market. Their commitment of resources to activity in the Islands therefore reflects their weighing-up of alternatives which include wage employment, and financial investment, offshore. The great majority of households are able to judge the relative merits of wage employment (locally and offshore) and household productive activity on the land or sea. Islanders have thus become proletarianised without in the process becoming a proletariat. Because they retain control over means of production, they enjoy considerable managerial autonomy and are not dependent upon wage labour for their survival.

"Dutch Disease"

The rapid increase in rent incomes of small-island communities over the past three decades has radically changed both the economic incentives and the constraints facing island households. This is especially true of sources of cash income. The investment of kin-group labour in the production of an agricultural surplus for sale on uncertain markets is only one of a number of alternative economic strategies. Kindreds can be expected to evaluate the return on such investment relative to the alternatives. On this basis it would be expected that as the alternatives to commercially-oriented agriculture improve, so a reallocation of household effort away from agriculture would take place. Only under quite special conditions would this relative restructuring of kindred resource allocation be consistent with an absolute increase in agricultural productive activity.[33] An important feature of a MIRAB structure is thus the crowding-out of marginal productive activities by new opportunities to earn cash incomes in government employment and overseas.

From the point of view of local kin-groups, the separation of local disposable income from domestic product means that there is no automatic link between increased local production and increased economic welfare. The constraint upon GDP growth in a MIRAB setting is not scarce resources *per se,* but rather the fact that the "normal" incentives to expand local productive activities are rendered inoperative. Development planning, and development aid, therefore have very limited scope. Additional cash made available to village households is more likely to be allocated to increased consumption and capital outflow (e.g. to bank accounts in the metropolitan economies) than to increased local production. Similarly, additional resources made available in kind to raise agricultural productivity are as likely to lead to a reduction in the area cultivated, as to increases in aggregate output, unless the external incentives faced by households are changed at the same time. This implies no lack of entrepreneurship, flexibility, or diligence on the part of Islanders — on the contrary, the "MIRAB effect", like its close relative "Dutch disease", arises precisely because of the economic responsiveness and flexibility of Island household units in their open-economy situation.

THE SUSTAINABILITY OF A MIRAB ECONOMIC ORDER

Confronted with evidence of agricultural decline, growing aid and remittances, large unproductive bureaucracies, and continuing out-migration, many observers of the small Pacific economies have been inclined to assume that the MIRAB system is inherently a transitional and unsustainable social and economic formation, and thus not potentially a steady-state or permanent condition. From this perspective, the familiar conventional model of internally-sustained economic "development" is claimed to hold the key for the long run, and is thus retained at the heart of both analyses of, and prescriptions for, the future prospects of these societies.[34]

While not wishing to discount such a view altogether, we think that the MIRAB system is likely to prove durable and persistent over a

[33] See, Sen (1966) for example.

[34] Equally, it should be noted that some observers view the region as in a transition towards a condition of absolute dependence and social collapse— a view which we do not share.

considerable period of time. In advancing this hypothesis we are suggesting that the regional MIRAB system is capable of self-reproduction through time — that is, that the international kin-corporation, the flow of remittances, and the availability of grant aid are all "sustainable" so that present levels of consumption, together with present structures of the balance of payments and of government finance, are all likely to persist.

We begin with the question of the sustainability of the present type and level of aid. In comparison with other so-called developing areas, the South Pacific has been conspicuously successful in obtaining overseas aid, and since most of this aid has been grants rather than loans, the region is not saddled with an accumulating debt burden. The volume and type of aid reflect partly donor recognition of the "special problems" of being small, isolated economies with limited internal markets; but more importantly show the realities of the decolonisation process and subsequent geopolitical calculations by the major regional powers.

The entitlement to ongoing grant aid arises from the "obligations" of former colonial powers established during the colonial era and continued after decolonisation. Budgetary grants were unavoidable if the colonial powers' aspirations for their dependent territories (or, equally important, for their own international reputations) were to be realised; and they remain unavoidable in the post-colonial era unless New Zealand and/or the United Kingdom are prepared to see living standards slide in their former or actual dependencies; or unless they are prepared to be supplanted by other, competing, aid donors.

The key to the long-run aid entitlement of the case study communities lies thus in two characteristics of post-colonial politics. First is the ethical notion, widely held by both electorate and governments in the metropolitan states, that they have an obligation to underwrite the maintenance of the gains achieved by welfare-state colonialism. The second is the geopolitical reality that neither power is yet willing to relinquish its sphere of influence in the region, particularly if the competing potential aid donor by whom they might be supplanted is the Soviet Union.

We would therefore expect current-account aid flows to continue during the next couple of decades. Dramatic growth of real incomes from this source is not likely, but neither is any sharp collapse, despite dire forebodings in the current Kiribati Development Plan.[35] There will, of course, have to be some adjustment of the rhetorical justification for aid flows as the last decade's commitment to self-supporting

[35] Government of Kiribati (1983).

economic growth in the Islands is supplanted by more explicit recognition of the MIRAB process. But the central point about aid is that it is easy to start, but hard to stop.

Turning to remittances, a familiar hypothesis advanced by Stark[36] is that migrants will tend to send back high levels of remittances in the first few years after migration, but thereafter the level of remittances is predicted to tail off as ties to the home community weaken. On this basis it might be suggested that the present high levels of remittance incomes to small Island economies will not be sustained for long. Such a view seems to us to overlook two important characteristics of the migration process in the Pacific: firstly, the maintenance of links between the migrant and the home community through the agency of the "kin corporation"; and secondly, the continuing flow of new migrants, which in a sense makes up for any "depreciation" in the Island community's existing stock of migrant "human capital" in the regional growth poles.

The balance-of-payments figures show a steep upward trend in overseas remittances to Kiribati, Tuvalu and Tokelau over recent years. In the first two cases this reflects partly the switch from internal to external migration in the past decade (so that a greater proportion of total remitted labour earnings appear in the balance of international payments). In the case of Tokelau the figures (which should be treated with some caution) probably reflect the facts that large-scale migration has been a relatively recent phenomenon and that the demand for cash goods in the Islands has only recently begun to catch up with that in the other territories. In the case of Niue the dominance of the local economy by the government is so great that even remittances have been "crowded out". Net private cash remittances flow from Niue to New Zealand, both to purchase financial assets in New Zealand and to contribute to the living standards of relatives there.

It is to the Cook Islands that we must turn for a case of a society where the main migration process dates back several decades, where the incentives to remit are fairly strong, and where we have consistent data available for analysis. Table IV shows that insofar as the Cook Islands are typical of MIRAB systems, the aggregate flow of remittances exhibits a great deal of stability over quite long time periods, and shows no sign as yet of tapering off.

In per-capita terms, money-order remittance inflows per resident Cook Islander were $88 in the early 1950s, about $125 in the late 1950s, about $100 in the late 1960s, about $130 in the late 1970s, and $160 in the early 1980s. This does not give the appearance of any

[36] Cited in Connell (1980).

IV

Remittances Received in Cook Islands
Annual Averages, 1982 $000

Period	Money orders	Other forms	Total
1942-46	476.3	n.a.	n.a.
1947-54	1,303.7	n.a.	n.a.
1955-59	2,134.3	n.a.	n.a.
1960-65	n.a.	n.a.	n.a.
1966-70	1,883.4	1,124.6	3,008.0
1971-75	2,202.4	1,322.0	3,524.4
1976-80	2,224.8	1,638.0	3,862.8
1981-83	2,626.7	1,576.0	4,202.7

Sources: 1942-59 from Kelly (1985), p 105, based on *Annual Reports* of the Cook Islands administration. 1966-80 from Hayes (1982) Table 8.10, p.364. 1981-83 from Bertram and Watters (1984) Table 6.12, p.168, on the basis of data supplied by the Post Office in Rarotonga.

tapering-off of incomes at the receiving end, which is what matters from the point of view of reproducing the MIRAB system. Obviously, as the number of migrants overseas rose, the amount remitted on average per migrant has shown some downward trend, from about $700 in the late 1950s to about $200 in the late 1960s, and $120 in the late 1970s — all figures based on money orders only, in 1982 dollars. Taking account of other forms of remittances in cash and kind, the per-migrant figure for the late 1960s was about $300, and for the late 1970s $200. A fair amount of this trend is attributable to the changing age-sex structure of the migrant community as dependent members of kin-groups moved to join economically-active migrants.

CONCLUSION

This paper has outlined some of the characteristics of, and forces at work in, the emergence of MIRAB economies in some of the smaller South Pacific nations. The transition process is by no means steady or irreversible; it can be checked by the denial of migration outlets to Island labour (as occurred in New Zealand in the "overstayer crisis" of 1976); or by pressure from aid donors for recipient governments to raise the proportion of their spending funded from local revenues; or by occasional episodes of success with onshore productive activity in the Islands.

The transition, furthermore, tends to be self-limiting beyond a certain point, leaving societies which in conventional terms may appear "permanently transitional" with mixed modes of production. Given the uncertainties of the wider world, and the value of traditional food staples in dietary and health terms, the maintenance of the subsistence base provided by the village mode is rational not only from the point of view of the kin-group but also from that of society. It could be argued, in fact, that there is a case for aid donors to move towards greater direct subsidisation of agricultural production (including subsistence) and to lower the priority given to maintenance of large bureaucracies whose existence and size have tended to be justified by a quest for autonomous economic development which can now be seen to be misconceived.

The social, cultural and political consequences of the survival of mixed modes of production in a MIRAB system are a sometimes-incongruous melange of neo-traditional, bureaucratic and commercial patterns of life. The resulting system, however, is highly flexible and adaptable, which is its great strength. Given the diversity and ambiguity in the forces of change, it is not surprising that the Islander becomes adroit at "wearing the right hat" for the occasion[37] — at slipping easily from "traditional" to "modern" behaviour, at invoking "traditional" or "modern" precedents as the occasion requires, and at refusing to behave in what an outsider would see as a consistent and logical way.

This flexibility and ambiguity is likely to continue to characterise Island governments' responses to metropolitan governments, increasing the latters' frustrations. In the era of decolonisation the drive for self-government or independence provided an overall sense of direction, despite the contradictions between political and economic trends. In the present MIRAB era this sense of direction is fading, to be replaced by an atmosphere of "islands for sale", of political and diplomatic adventurism by some Island leaders who attempt to "touch" all their options without foreclosing any, in order to increase their room for manoeuvre. Metropolitan governments are only beginning to come to grips with the MIRAB phenomenon, and Island governments have no reason to outpace them.

Indeed, there are diplomatic advantages to be gained by Island governments persisting with the rhetoric of autonomous "development" and insisting on their right, as self-governing entities, to determine their own goals. They may thus for some time find it advantagous to refuse to recognise the MIRAB model and its implications. An era of uncertainty and frustration for both sides of the aid relationship appears likely to ensue.

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[37] Baddeley (1978): 457.

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