

Noel Pearson: Working towards peace and prosperity

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The Cape York Institute for Policy and Leadership is a public policy organisation formed in partnership between the people of Cape York, Griffith University, and Federal and Queensland Governments. The Institute receives core funding from the Commonwealth Department of Education, Science, and Training and Education Queensland. The views expressed in this paper are intended to further the discussion about the challenges facing Indigenous peoples of Cape York, and possible solutions. The views expressed herein do not necessarily reflect the views of Griffith University or the Institute's funding agencies.

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IN mainstream Australia, we have a strong and enviable set of institutions that includes a representative political process, a sound judicial system and a set of national social norms that are egalitarian and encourage innovation and dynamism. But the experience of Cape York indigenous Australians with such institutions can sometimes be radically different from the mainstream, and can impose a high-level constraint on their opportunity to lead a rich and fulfilling life.

The only way to break the vicious cycle of disadvantage and dysfunction is to build capabilities through economic and social development based on engagement with the real economy. Two critical components that help this process in Cape York are welfare reform and land reform.

First, welfare reform. Indigenous Australians have largely not experienced the positive features of the mainstream welfare state: public health, education, infrastructure, a helping hand during short-term unemployment and other aspects that have underpinned the quality of life and the opportunities of generations of Australians. They have experienced only the income support that is payable to the permanently unemployed and marginalised.

Unlike earned income, the unearned income of passive welfare leads to a gammon economic relationship, where transactions between the provider and the recipient are not based on reciprocity. The recipient gets money but gives or does nothing in return. It is money for nothing. The structure of income support payments in Cape York have set up a poverty trap where perverse incentives encourage people towards welfare and away from real employment.

Apart from depriving people of a real income, unemployment has other, more serious, effects that cannot be ameliorated and indeed may be exacerbated by long-term income support. These effects include psychological harm, loss of work motivation, skill and self-confidence, an increase in sickness, and disruption of family and social life. Indeed, chronic unemployment of whole groups of people or geographic regions leads to social exclusion, loss of self-reliance and self-confidence, and damage to psychological and physical health.

In addition, it is chiefly by working that parents convey the message to their children that opportunity exists for the taking, ensuring that attitudes of defeat are not transmitted across generations. Incentives matter because they influence behaviour. They can be in the form of carrots (which pull) and sticks (which push).

The pushes in the system are towards: no work (through the continued provision of sit-down money through government allowances); make work (through the inadequacies of Community Development Employment Projects systems); or no study (through inadequate ABSTUDY payments).

It is critical that the perverse incentives are removed from the welfare system, to break the unemployment trap. Incentives are changed by getting the price right: people need to perceive greater benefits from working, entrepreneurial activity and investing in themselves (in their education, health and so on), than from staying on welfare.

Welfare payments instead should be structured to support and encourage earning or learning. Where they do not, other obligations must be attached to payment to benefit the community. This is a crucial point for the implementation of the overall reform agenda. It is almost certain that more external support will be required, at least in the short term, to build capabilities in communities. But if support is supplied without also redesigning incentives, further dysfunction caused by passivity and addiction will ensure that fundamental community transformation will not be achieved.

The challenge, then, is to ensure that policy is targeted at economic development and capability building in indigenous Australia rather than simply letting indigenous Australians fall into the poverty trap of welfare dependency.

Then there is land reform. There is no question that communal title is integral to indigenous culture. It is a principle founded in the common law and that has been reflected in statutory law in this country for a long time. But it is equally true that transferable property rights are integral to development.

The challenge for the reform agenda is to reconcile these two apparently contradictory principles: communal ownership and transferable property rights. Long-term leases enabling indigenous individuals and families to use and develop communal land are almost certainly a key component of this reconciliation. The challenge is to preserve the culture of communal tenure while enabling maximum individual and private economic use of the land.

The issue of indigenous home ownership in remote communities also illustrates this complex interplay between culture and economics.

According to the Queensland Government, the average life expectancy of a house on Aboriginal land is less than 10 years. There is clearly an urgent need for indigenous people to have an economic stake in their home, so that they take pride and care of it. The failure to take responsibility in this area seriously undermines legitimate expressions of concern about overcrowding and insufficient housing funds.

However, the continuing interaction with communal title and the absence of functioning markets mean that indigenous home ownership in remote communities is unlikely to play the same critical role in private asset accumulation that it does in the mainstream. Under these circumstances, indigenous families with the means should seriously consider investing in the mainstream as well, where their investment may be considered to have more chance of appreciating in market value.

It is clear that much more innovative policy thinking is needed in hammering out the terms of this reconciliation. It needs to balance the imperatives of indigenous people living on remote, communally held lands, where markets are difficult (where innovative ideas about private stakeholding and economic use of land are very much needed), with the fact that investment, asset accumulation and economic development is most feasible where there are functioning markets (that is, in centres of economic growth in rural and urban Australia).

The Cape York reform agenda therefore needs to focus, at its core, on the issue of developing a real economy. This requires a reform agenda across a wide range of prerequisites for economic and social development. Each of these prerequisites is a necessary condition for

development on Cape York but, individually, none is sufficient. Instead, the development literature emphasises that reform must span the full set of prerequisites if economic and social development is to be successful and long-lasting.

This is the challenge that the Cape York reform agenda must meet to enrich the choices available to the people there in a sustainable manner. The continuing state of crisis in the cape means the urgency of this task cannot be overstated. We hope for a future in which cape people can truly have the same capabilities as mainstream Australians to choose a life that they value.

Noel Pearson is director of the Cape York Institute for Policy and Leadership in Cairns. This is adapted from a speech to the Centre for Independent Studies in Sydney last n