

# Pathways to Prosperity for Indigenous People

NOEL PEARSON

THE SIR RONALD TROTTER LECTURE

2010

NEW ZEALAND BUSINESS ROUNDTABLE

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# *The Sir Ronald Trotter Lecture*

**S**IR RONALD TROTTER was the first chairman of the New Zealand Business Roundtable in its present form, a position he held from 1985 to 1990.

Among his many other roles he has been chief executive and chairman of Fletcher Challenge Limited, chairman of the Steering Committee of the 1984 Economic Summit, a director of the Reserve Bank of New Zealand, chairman of the State-owned Enterprises Advisory Committee, chairman of Telecom Corporation, chairman of the National Interim Provider Board, a chairman or director of several major New Zealand and Australian companies, and chairman of the board of the Museum of New Zealand Te Papa Tongarewa.

He was knighted in 1985 for services to business. He died on 10 August 2010.

This lecture was instituted in 1995 by the New Zealand Business Roundtable to mark Sir Ronald Trotter's many contributions to public affairs in New Zealand. It is given annually by a distinguished international speaker on a major topic of public policy.

The fifteenth Sir Ronald Trotter lecture was given by Noel Pearson at the Auckland War Memorial Museum on 2 November 2010.



# Noel Pearson



NOEL PEARSON was born in 1965 in Cooktown, North Queensland. He is the youngest son of Glen Pearson from the Bagaarmugu clan on the upper reaches of the Jeannie River, East Coast, Cape York Peninsula and Ivy Pearson (formerly Baird) from the Guggu Yalanji peoples on the upper reaches of the Bloomfield River, South East Coast, Cape York Peninsula.

He attended primary school at the Hope Vale Mission, Cape York, where he lived with his family throughout his early years. As a young boy he was sent to Brisbane to attend St Peters Lutheran College as a boarder, where he completed his matriculation.

He then enrolled in a history degree at Sydney University, Sydney where he completed a history and law degree. His history thesis, based on his home community Hope Vale, has been published in *Maps, Dreams, History*, by the History Department of the University of Sydney.

Noel Pearson has been heavily involved in campaigning for the rights of Cape York Aboriginal people and played a pivotal role in the establishment of the Cape York Land Council in 1990. He also worked on native title cases including the historic Wik decision.

He was elected chair of the Cape York Land Council from 1996-97. He still acts for the Land Council in an advisory capacity from time

to time. Today, he works in a voluntary capacity as a team leader with Cape York Partnerships, a project negotiated between the Queensland government and Aboriginal leaders of Cape York to plan and implement projects centred on a reform agenda for Cape communities.

In 2004 Noel Pearson became the director of the Cape York Institute, a new regional organisation sitting at the nexus of academia, policy formation and community engagement and providing policy oversight for other Cape York-oriented organisations.



*Introduction by*  
*Roger Kerr*  
*executive director*  
*New Zealand Business*  
*Roundtable*

**I** T IS MY VERY PLEASANT DUTY to introduce our guest speaker, Noel Pearson, to give the 2010 Sir Ronald Trotter Lecture.

The lecture was inaugurated in 1995 to recognise Sir Ron's role as the Business Roundtable's founding chairman and his many contributions to business and public affairs in New Zealand.

Sadly, Sir Ron passed away in August of this year. The last lecture in this series he attended was in this very room in 2007, given by the former British Chancellor of the Exchequer, Nigel Lawson.

In a tribute that I read out in a eulogy at Ron's funeral, Lord Lawson said that Ron had "given a lead to people in business to transcend their day-to day preoccupations and look at the bigger picture, to the benefit of New Zealand as a whole".

I added that "we need to see his like again among business leaders if the country is to succeed and prosper".

Ron was a truly great New Zealander who related to people in all walks of life, including Maori, and we honour him here tonight. We are delighted that his wife Margaret and son Bill have been able to join us on this occasion.

The purpose of the Sir Ronald Trotter Lecture is to feature an outstanding speaker on a major topic of public policy, which is the core

business of the Business Roundtable. We have been privileged over the years to have had a roll call of very distinguished speakers, from many parts of the world. Tonight we carry on that tradition with our guest, Noel Pearson.

Noel is an Aboriginal Australian lawyer and founder of the Cape York Institute for Policy and Leadership in Northern Queensland. The institute's mission is to promote the economic and social development of the Cape York communities.

Noel was born in Cooktown and grew up at Hope Vale, a Lutheran mission on the Cape York Peninsula. He went to St Peter's Lutheran College in Brisbane and then to the University of Sydney, where he completed a history and a law degree.

In 1990 he co-founded the Cape York Land Council, and his first official appointment was to a Queensland government taskforce that was formed to develop land rights legislation. He was involved in many land title claims.

By the end of the 1990s his focus shifted. He has become the leading Aboriginal voice in Australia arguing that indigenous policy needs to change direction, notably in relation to welfare, substance abuse, child protection, education and economic development.

He became director of the Cape York Institute in 2004 and has been involved in most of the major Aboriginal controversies of the last 10 years. These include the Howard government's intervention in the Northern Territory to deal with Aboriginal child sex abuse, the Stolen Generations debate, and the ongoing 'wild rivers' dispute in Queensland. He has opposed legislation introduced by the Queensland government, promoted by the Australian Greens, which would make economic development of the river areas difficult or impossible, and is supported in his stand by Liberal Party leader Tony Abbott, who knows Noel and the Cape York region well.

Noel's thinking is reflected in the titles of the many books, essays and articles he has written. A brief sample is *White Guilt, Victimhood and the Quest for a Radical Centre*, *From Hand Out to Hand Up*, *Radical Hope*:

*Education and Equality in Australia and Social Housing Model Rips the Heart out of Indigenous Communities.*

He has criticised over-extended government provision of welfare, not just in indigenous communities but in general, arguing earlier this year that:

The dysfunctional communities that I have seen in Aboriginal Australia and among disadvantaged white Australians are characterised by the dominance of the public sphere in the lives of people. Government almost monopolises the field, with its endless programmes and service deliverers.

The Business Roundtable has done a great deal of work on education, employment, welfare and Maori issues. Our project on Maori economic and social advancement, led by former chairman Rob McLeod, is motivated by the belief that what are most important for Maori and non-Maori alike are jobs, skills and enterprise in a growing economy. Treaty settlements matter, but they are mainly about justice – righting where possible past wrongs. Such redistribution, as opposed to wealth creation through enterprise, can make only a limited contribution to economic and social well-being.

With the reforms to education, employment regulation and welfare, including the Whanau Ora project, being on the government's agenda and thus matters of political debate, I cannot think of a better person to contribute to our thinking than Australia's most distinguished Aboriginal leader.

It is a great privilege to have Noel Pearson with us this evening and I invite him to give the 2010 Sir Ronald Trotter Lecture.



*Pathways to Prosperity*  
*for*  
*Indigenous People*  
Noel Pearson

**I**N MY COUNTRY the federal Labor government's headline policy for indigenous Australians is called *Closing the Gap*. The socio-economic position of the 3 percent of native Australians is so dramatically out of step with the other 97 percent that it is little wonder that *Closing the Gap* is the clarion call of national policy. Across all indicators indigenous Australians are disproportionately represented in negative ways – other than our over-representation in the National Rugby League and the Australian Football League. (Allow me to say that if we were similarly over-represented in the Game They Play in Heaven, the All Blacks' century-long supremacy may have been less certain.)

Thinking liberals may raise their eyebrows at the notion of *Closing the Gap* – conjuring up as it seems to the idea of a massive governmental undertaking to effect social change. Yet the policy of the former conservative coalition government, *Overcoming Disadvantage*, was in essence the same.

The thinking Australian liberal's discomfort is not with the intent, but with the means used to try to achieve the intention. Australians of most hues – conservative, liberal and socialist – want indigenous Australians to rise out of our predicaments and to take a happier place in the nation. Australians are well disposed to native uplift and to a change for the better in the negative social and economic indicators. (Perhaps one day in

return the natives might choose to reduce our proficiency in rugby league and Australian football so that the disparity suffered by the rest of the country is ameliorated.)

If Australians agree on anything we agree that the egregious position of indigenous Australians is intolerable and must be remedied. If it would be wrong to disagree with this intent; it is completely correct to have vigorous debate and disagreement about how this intent might be effected.

*Closing the Gap* as currently conceived does not have the philosophical and policy rigour to achieve its stated intent. The philosophy and policies falling under the rubric of *Closing the Gap* come from the traditionally dominant progressive centre and left of Australian thinking about policy towards the natives – and they are wrong.

Recently I had cause to make plain something that Australian liberals have been too long reticent to declare: there is no *Closing 'any' Gap* without Adam Smith. Even progressive liberals were inclined to put indigenous Australian policy into the 'special case' basket, as if the insights of liberalism apply to all cases except the predicament of native Australians.

My intention this evening is to tell you of the work that I and my fellow leaders in Cape York Peninsula in the remote north-eastern corner of Australia have been pursuing under the banner of the *Cape York Reform Agenda* over the past decade. Our pursuit of prosperity for our people has two dimensions.

The first dimension involves our confrontation with what we have come to call 'passive welfare'. The policy challenge of passive welfare is not specifically an indigenous policy issue, neither is it an ethnic or racial issue: it is a matter of disadvantage that is a national question. We in Cape York have played a leading role in the policy reform debates around passive welfare in Australia because our people are disproportionately mired in the problems – but, as I say, the problems are not particular to our status as Australia's indigenous peoples.

The second dimension does concern specifically our status as indigenous peoples and the relationship between our cultures and those of the broader society and world.

My remarks this evening will primarily deal with the first dimension, though I will offer some thoughts on the second dimension towards the end.

### *Passive welfare*

When we first articulated the *Cape York Reform Agenda* a decade ago, we distinguished between what we called classical welfare and passive welfare.

The social democrats have given three reasons for defending the welfare state. First, they argue the welfare state is necessary to counteract social stratification, and especially to reduce the depth to which people are allowed to sink. Some people with average or below-average resources and knowledge will not spend enough on education or on their long-term security (for example, on health care and retirement): they and their children will be caught in a downward spiral, unless they are taxed and these services provided by the state. This is the main mechanism of enforced egalitarianism.

The second argument is that the welfare state redistributes income over each individual's lifetime. There is some redistribution from rich to poor, but the principle is that you receive approximately what you contribute. Those who work now help to pay for older people's entitlements and services, and will be similarly assisted in their old age by the next generation. In the process, there is some redistribution from rich to poor.

Third, there is popular support for the welfare state because a majority do not want health care and education (the two main areas of the public sector of the economy) to be entirely reduced to commodities in the market. You can then allow competition in other areas of the economy, but health and education are about making everybody an able player

in the market. Classical welfare is therefore reciprocal, with a larger or smaller element of wealth redistribution.

The phenomenon of passive welfare developed after the hey-day of full employment in the post-war years. What had first been conceived of as temporary assistance to workers moving between jobs became a longer-term proposition for an increasing number of people.

It was only when developed countries of the west had tens of thousands of families living in inter-generational welfare dependency that the characteristic of passive welfare became clear.

It took the most part of the past decade for passive welfare to become accepted as a real phenomenon and therefore a serious policy challenge for Australians. Leading non-government organisations such as the Brotherhood of St Laurence and now the Australian Labor Party no longer deny that passive welfare is real. It took a long time, but it is only the Australian Council of Social Services and the antediluvian leaders of the St Vincent de Paul Society who still cling to denial.

We all may pay lip service to the truths that the only road out of disadvantage is participation in the real economy, and that welfare can only ever provide a safety net and cannot supply the means of uplift. In practice, however, those who resist the reform of passive welfare seem to insist that the problems of disadvantage should just be managed out. Specifically, they should be managed out by a class of people in government and non-government organisations whose job is to manage the safety net and those who reside in it. This class is resistant to losing their clients to advantage.

But there is nothing new in what I am describing here. All developed countries have to grapple with the legacy of passive welfare in their societies.

Of course the acknowledgement of the reality of passive welfare is the first step. What to do in response is the next.



### *Our staircase metaphor*

Before we could work out our policy response to passive welfare, it was necessary to come to a view about how individual and social progress actually occurs. We looked to political economy and philosophy and we looked to development practice across the world. We asked ourselves, “How does the world work?” and “How do peoples rise up and succeed in the world?” We came up with a model for how progress works in a more or less liberal capitalist world.

Our model for progress in Cape York is the staircase model. There are three aspects to our staircase.

First, the stairs are built on a foundation of social norms. For us these foundations constitute the social and cultural norms of a community, a group, people, family or society; norms that mandate personal and social responsibilities to one’s family and to one’s community. Wherever peoples possess strong norms, they are well prepared for advancement.

Second, there are structures underpinning the stairs. For us these support structures constituted the investment in capabilities provided by the society to its people. What the Nobel laureate Amartya Sen calls capabilities include investments in health, education, infrastructure and other economic and political opportunities and freedoms.

Third, incentives and their rational alignment shape the stairs that individuals need to climb. The market sets the prices on each step going upwards. Our model highlighted a simple point that had long been obscured in traditional social democratic thinking on social justice: each step on the stairs must be climbed by individual human beings. The stairs are narrow and only allow individuals clutching their children to their breasts to ascend two by two. There is no mass elevator for entire communities.

Our metaphor enabled us to see where social and communal provisioning was relevant, and where individual self-interest was.

The foundations of social and cultural norms strongly corresponded with conservatism: we came to appreciate that peoples were well served if their cultures mandated mutual responsibilities and mutual respect. If cultures obliged their members to fulfil their responsibilities for the care for their children, and the formative development of their youth, they stood them in good stead for advancement. Indeed our policy thinking around these foundations had a strong resonance in conservative thought.

The support structure of capabilities underpinning the stairs also strongly corresponds with redistributive thinking. It is about social investment in people's capabilities: health, education and so on. Social investment is critical. Our policy thinking around these support structures found strong resonance in social democratic thought.

The stairs themselves, their rational alignment and the concept that real, individual human beings were climbing them in pursuit of their own interests strongly corresponded with liberal thinking. We understood the power of choice and rational incentives, and that the ultimate engine of development and progress is the self-interest of individuals on behalf of their families.

We came to Adam Smith via our staircase metaphor: the most powerful engine at the centre of development is the self-interest of individuals seeking a better life for themselves.

### *Welfare reform*

We then turned our attention to the policy challenges of welfare reform. Broadly, there were two problems: unconditional welfare and what we came to call the welfare pedestal.

It was patently obvious to us that the absence of conditionality in welfare was a serious mistake in the original design of the safety net. The social problems occasioned by unconditional welfare do not become apparent immediately; they grow over time. But when you get to the stage at which society is essentially funding dysfunctional lifestyles of individual adults, who subsequently neglect their social responsibilities

to their children, families and their neighbourhoods, then unconditional welfare makes no sense.

Basic social and cultural norms were fractured in our communities: norms relating to parenting, respect for elders and neighbours, expectations of personal and social responsibility – and the problems grew as welfare dependency became inter-generational.

We proposed that welfare be made conditional, and in 2007 federal legislation was introduced to enable us to implement this reform. The Queensland government then enacted legislation to create the Family Responsibilities Commission as a statutory body empowering local elders to adjudicate welfare conditions. We are now three years into a four-year trial of these reforms, which have as their aim the restoration of social norms in our communities, and the mandating of personal responsibility.

If passive welfare did anything, it eroded personal responsibility. We became convinced that, even as we worked to get our people into the real economy, there was an urgent need to mandate some basic personal responsibilities to ensure that the interests of children were upheld. The requirement to attend school was one of the most important interests.

The second problem in our welfare reform challenge concerned the welfare pedestal. Let me explain. If the price of each step increases as you ascend the staircase, there is a step at the bottom of the staircase that is out of kilter with the bottom step because it is of a higher value. To get on to the staircase of the real economy, one must step down before one can step up. This is the welfare step, what a grandmother from Cape York dubbed the welfare pedestal.

When you compare prices on the welfare pedestal and at the entry level of the real economy, you can see the disincentive effects plainly. In Australia the pedestal prices have been growing and the costs of stepping into the real economy have become more marked. Life on the welfare pedestal in a country that distributes money through a generous family tax benefit system is quite a rational choice.

We currently have no policy response to the welfare pedestal problem. The Australian federal government has not addressed this aspect of our reform agenda. This problem therefore represents a major gap in our reform agenda that still needs a solution.

When we began our reform thinking in Cape York Peninsula 10 years ago, we were in part inspired by the reforms implemented in the United States under President Clinton when Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. Conditionality in welfare and strong work obligations seemed to us to be the obvious lessons from the United States experience.

We also looked to prime minister Tony Blair's less conclusive attempts in the United Kingdom where they seemed to get the rhetoric right but there was little concrete reform. In Australia the New Labour concept of social inclusion attracted the attention of Julia Gillard and, after the Labor Party gained government in 2007, she established a Social Inclusion Board pursuant to her obvious enthusiasm for the British concept.

After 10 years of looking to North America and the United Kingdom for reform inspiration, I came to the conclusion that there is a country in our own region from which we have more to learn than either of those traditional sources of policy ideas. And that country is Singapore.

When Australian policy-makers and leaders look to the United States and the United Kingdom for solutions to poverty and increasingly large numbers of disadvantaged people, they encounter a fundamental problem: there is no evidence that either of these countries has addressed such issues successfully. The PRWORA reforms did succeed in a narrow sense – but it cannot be said that the United States is a paragon of achievement in eliminating poverty and uplifting the lowest classes on a widespread basis. The same conclusion may be drawn for the United Kingdom.

Why are we looking to the United Kingdom and the United States for policy solutions when they are struggling with the same problems without any obvious progress?

In contrast, when you look at the story of Singapore, especially under the leadership of former prime minister Lee Kwan Yew from 1965 to

2004, you see a society with unparalleled success in achieving a broad-based uplift of its people.

Yes, it is probably hard to think of a situation that is less analogous to remote and undeveloped Cape York Peninsula than the modern city-state of Singapore, which is peopled by an enterprising population of overseas Chinese, Indians and Malays who exploit the special blessings of their geography. Nonetheless I contend that the policy lessons it provides are absolutely germane.

Before I identify what I think those policy lessons are, let me first briefly outline Singapore's story, and the path it took which is so clearly distinct from that taken by the developed nations.

### *The other path: Singapore*

In his fascinating *Memoirs* Lee Kwan Yew states that he and his fellow leaders aimed to create for their country "a fair society, not a welfare society". Lee Kwan Yew recognised from the beginning that the form of welfare provisioning that the advanced western nations were implementing would produce problems, and his country explicitly pursued a different philosophy and a different path.

He writes:

Watching the ever-increasing costs of the welfare state in Britain and Sweden, we decided to avoid this debilitating system. We noted by the 1970s that when governments undertook primary responsibility for the basic duties of the head of a family, the drive in people weakened. Welfare undermined self-reliance. People did not have to work for their families' wellbeing. The handout became a way of life. The downward spiral was relentless as motivation and productivity went down. People lost the drive to achieve because they paid too much in taxes. They became dependent on the state for their basic needs.

The great difference between the Singaporean approach and that of the welfare states of the western world was that, as Lee Kwan Yew writes, Singapore "chose to redistribute wealth by asset-enhancement, not by subsidies for consumption".

There is in fact a great deal of redistribution in Singapore: it is just that redistribution is strictly aimed at improving its citizens' capabilities to develop assets and wealth.

At the core of the entire approach is the compulsory savings system of the country's Central Provident Fund (CPF). The leaders of Singapore built around the CPF an array of individual and family solutions for home and apartment ownership, and retirement funds. They mandated family-based solutions to welfare whilst subsidising those activities and initiatives that enhanced the capacities of individuals to earn and accumulate assets.

By mandating a universal approach to compulsory savings and home ownership, Singapore's policies included everyone in the society. The denizens of the shanties were not left to their own devices. They too were both obliged to achieve and supported into apartment ownership.

The following lessons can be drawn from what is sometimes called a Confucian approach to development:

1. The leaders of Singapore upheld the primacy of individual and family self-interest to climb to a better life. (Lee Kwan Yew: "I work on the basis that all men and women first work for themselves and their families, and only then will they share a portion of it with the less fortunate.")
2. They established strong support parameters to support individuals and families to climb. (They added to our staircase metaphor a strictly defined set of railings inside which they expect their citizens to climb.)
3. They aimed to put everyone on the development path – and to prevent an underclass from developing.
4. They redistributed to promote wealth and asset development, not consumption.
5. They maintained a paternalistic approach to social order.

My emerging thinking is that my own country has three ways to think about the ongoing and growing problems of poverty and the growth of a disadvantaged underclass. There is the welfare reform paradigm inspired by the United States. There is the social inclusion paradigm inspired by the United Kingdom. And then there is a development paradigm inspired by Singapore.

Whilst reform in Australia will incorporate elements of the North American and British approaches, I believe we should see the problems facing disadvantaged families and communities in first world nations such as Australia as a development challenge. Moreover, we should learn the lessons from those who have succeeded with development.

I believe a development paradigm might be applied effectively among fourth world peoples who find themselves in entrenched disadvantage in a first world nation. There is not enough time tonight, however, to lay out some of my ideas on this point.

Before I turn to my concluding remarks about our status as indigenous peoples and the relationship between our culture and that of the broader society, let me make clear my view that there are three related policy issues here, which societies like ours need to confront. First there is challenge of economic growth. Second there is the challenge of welfare reform. Third there is the challenge of the working poor.

Welfare reform will make no sense if societies such as Australia and New Zealand do not find solutions to address the phenomenon of the working poor. The United States has for too long failed to find solutions to this problem, and indeed it is this failure that is unravelling the presidency of Barack Obama. When an economy does not fairly reward work, then it will eventually lose its coherence.

I respectfully suggest to the Business Roundtable that those dedicated to welfare reform in the Antipodes should be equally dedicated to meeting the challenge of the working poor.

### *Indigenous policy and liberalism*

Let me now highlight three key articles of liberal philosophy that cannot be gainsaid if we are serious about our intent to *Close the Gap* on indigenous disadvantage: self-interest, choice and private property. I will make some brief comments on each of these in turn.

#### *Self-interest*

Self-interest is the engine of development. *Closing the Gap* of native disadvantage in my country obviously requires development. Self-interest in the sense explained by the classical liberals is a great power for good. There is no more powerful engine for progress.

The problem is that self-interest is the last thing that comes to mind for Australian leaders, policy-makers and citizens when they consider indigenous policy. Yet self-interest is more than relevant to any serious intention to *Close the Gap* on disadvantage: it is absolutely central. It is the engine that drives everything else in the vehicle of progress.

Despite its centrality, and even though the benefits of Adam Smith and the classical liberal insights permeate western societies such as Australia, self-interest does not enjoy good press and is disavowed on moral grounds. It may be accepted as necessary in practical terms but it is seen as base.

The great western embarrassment about self-interest on ethical or moral grounds dishonours Adam Smith's perfectly plain explanation in *The Wealth of Nations* – that self-interest is not a moral position. More than that, their embarrassment prevents westerners from understanding that the means by which they secure their advantage, and thereby provide amenity to others, is through the pursuit of self-interest. Moral confusion and then vanity mean that westerners end up denying that the power of self-interest can be used to the benefit of the disadvantaged.

Advantaged Australians assume it is crass to think self-interest is key to indigenous uplift. It is easier to think indigenous peoples should instead be deserving of compassion and altruism. Advantaged Australians are confused by Adam Smith's recognition that as well as self-regard



we humans harbour regard for others; advantaged people believe this characteristic means that disadvantaged people will be saved by our other regard rather than their own self-regard. Nay, if we are to be properly other-regarding, our efforts should be directed at supporting the mobilisation of self-regard on the part of the disadvantaged and opening the doors of opportunity so that they can pursue their own progress.

There is a significant corollary to the tendency of advantaged Australians to luxuriate in moral equivocation when it comes to applying the liberal article of self-interest in indigenous policy – and might I say that the deprecation of self-interest by the religious orders in discussions about the plight of the disadvantaged is particularly ill considered and profoundly unhelpful. That is, the indigenes themselves come to believe that we are particularly devoid of self-interest. We are a people apart, unconcerned with materialism, motivated by more esoteric and mystical concerns, such that self-interest is culturally alien and irrelevant to our future progress.

Of course, indigenous Australian culture reflects the nature of the hunter-gatherer society of our past and the continuing present. And yes, culture matters. But self-interest is ultimately sourced in our biology, and all humans are possessed of it. David Hume's insight – that our self-interest is abiding – is as true for hunter-gatherers as it is for liberal capitalists. Although the cultural and social arrangements of hunter-gatherers are dissonant to the demands of a market economy, self-interest remains key to any consideration of how those newly emerged from a hunter-gatherer economy might make their way in the new world that is upon them.

The passive welfare of the past 40 years and its terrible legacy form the story of how governments established incentives that destroyed the evolution of self-interest amongst indigenous Australians adjusting to the new economy. The incentives rewarded a passivity that would ultimately prove to be corrosive and set people further back than before.

My point is this: self-interest is not something that emerged after colonisation or with which the indigenes became infected upon their contact with Europeans. Self-interest is at its core a human engine.

*Choice*

The second article of liberalism that is nearly absent from indigenous policy is choice. The power of choice is the concomitant to self-interest. Both take the individual as the principal actor in development.

In our Cape York Reform Agenda our aim is for individuals to have “the capabilities to choose lives they have reason to value”. We take this formulation from the Nobel laureate, Amartya Sen. It is not my purpose here tonight to rehearse the insights we have taken from Sen in relation to the importance of individuals developing “capabilities”. Rather I just want to say that our reform agenda is founded on the liberal insight that choice is a power. It is not just that the freedom that choice implies is a good thing in itself; it is that choice is a self-propelling power for progress.

*Private property*

Let me now turn to the third of these liberal articles, which is also absent from the indigenous policy paradigm that currently informs governmental intentions to *Close the Gap* on indigenous disadvantage. This article concerns private property.

Traditional societies in Australia, as the world over with hunter-gatherers, are communal. Traditional land tenure is communal.

Indigenous communal property stands in contradiction to the imperatives of development. Indeed where third world societies have succeeded in development, land reform that secures private property for individual members of those societies seems to be an inescapable ingredient of successful development.

The Peruvian economist Hernando de Soto’s point about the importance of the fungibility of property to development is, of course, highly relevant here.

This principle understandably raises a difficult issue for my people. Our traditional culture is at odds with what is a clear requirement for development: private property.

In my view, and for the reasons I started to articulate in my earlier discussion of self-interest, it is not that indigenous Australians lack the self-

interest that enables them to be individuals who are capable of pursuing their own development. This is not the principal barrier to development. The principal barrier is communal land ownership and the extent to which private property is excluded.

Although there is not enough time tonight for me to discuss solutions to this confrontation between an ancient system of land tenure and the demands of development, I believe that solutions are possible.

My only point for tonight's purpose is that private property must be front and centre if we are to be serious about *Closing the Gap* on indigenous disadvantage.

### *Social justice*

When a government articulates a headline policy like *Closing the Gap* the problem is that, whilst the goal may be a laudable one for the nation to adopt, the government then starts thinking that the Leviathan needs to mobilise to achieve the stated intent. This is what thinking liberals should rightly worry about. It is not just a matter of unintended consequences of governmental action; it is the basic misunderstanding about who the main actor in development must be.

The main actor in development is the individual, animated by his self-interest to pursue better prospects for himself and his family, having the capabilities to make choices in pursuit of his interests, and having opportunities to do so. The main actor in the development story is not the government.

There is a role for the government in supporting individuals to develop their capabilities and to ensure people have access to opportunities, but this role is extremely prone to miscalculations. The failure to understand who is the principal actor is the starting place from which governments not only fail to support development, but also thwart and undermine the very development they claim to be seeking.

Australians harbour this general and vague belief that governments possess an inchoate potential for social justice that can be mobilised

to achieve development for the disadvantaged – if only the requisite political leadership and commitment are galvanised. Social justice is thought of as some kind of forklift that can elevate entire populations up the stairs of social and economic progress, without each individual in those populations having to climb the stairs with their own legs. It is suspected this social justice forklift lies in some government warehouse somewhere, waiting only for a suitable driver to come along and crank up the engine.

The truth is that there is no social progress without individual progress. Social progress is the sum of the progress of a multitude of individuals. When you have progress by a whole lot of individuals, you then have social progress, and only then might you have something that we might rightly call social justice.

### *The challenge*

Here is the challenge that indigenous Australians must meet if we are to succeed in the future: we must separate the domain of communalism in our heritage, cultures, languages and identities from the domain of liberalism in our lives.

All other societies have been confronted by economic change, not the least by market capitalism. Western and eastern societies that have made these transitions have had to work out how to separate the communalism of their traditional cultures and social institutions from the demands of the economy. The demands of the market economy conform with the article of liberalism, and are indeed antithetical to communalism.

There are countless examples of societies and peoples who continue with communalist arrangements in one sphere of their lives whilst maintaining a liberal sphere in their economic arrangements. The Jews and the Roman Catholics have found ways to reconcile communalist loyalties and preoccupations with liberal individualism. Indigenous Australians will have to move beyond the dominance of communalism, and relegate it to that sphere of life in which it is most appropriate.

### *Indigenous policy and conservatism*

Let me now turn to the relevance of conservatism and indigenous policy.

In the world's dominant culture, the anglophone sphere, conservatism is usually understood to stand for a defence of established societal and cultural institutions and social values. Because the anglophone states are so uniquely strong, English-speaking peoples harbour no existential angst that their nations and cultures will perish. Not even the English essayist Theodore Dalrymple, notwithstanding his dismay at the decline of his beloved United Kingdom, believes that Shakespeare will no longer be read or that the Magna Carta will cease to guide the growth of global freedom.

However, a conception of conservatism that is more relevant to Aboriginal Australians is patriotism in adversity: fighting for one's life for the survival of one's people, culture and language. There is indeed no *Closing the Gap* without Adam Smith – but the people whose social and economic disadvantage is to be closed will no longer be Aboriginal Australians without Johann Gottfried Herder.

Eighteenth century German philosopher Johann Gottfried von Herder objected to the decision of Emperor Joseph II to enforce one official language in his empire. In 1791 Herder published the first collection of his *Letters for the Advancement of Mankind*, which contained a fictional dialogue called “Conversation after the Death of Emperor Joseph II”:

A. Which innocent preconceptions of the people did the Emperor Joseph offend?

B. Of many I mention but a few; first the preconception of language. Has a people, especially an uncultivated people, anything more dear than the language of their fathers? In it lives its entire wealth of thoughts about tradition, history, religion and principles of life, all its heart and soul. To take from such a people their language or debase it amounts to taking from them their only immortal property, which passes from parents to children.

A. And yet Joseph knew many of these peoples personally and very well.

B. The more it is to be amazed at, that he did not discern the intrusion. "Who suppresses my language for me (thinks the simple man not without reason), will also rob me of my ability to reason and my way of life, my honour and the laws/rights of my people." Obviously, as God tolerates all the world's languages, so should also a ruler not only tolerate the different languages of his subject peoples, but also honour them.

A. But he wanted to achieve a more expeditious prosecution of commerce, a faster moving culture.

B. A people's best culture is not fast; it does not allow itself to be forced through a foreign language. It thrives at its most beautiful and, I would like to say, exclusively on the nation's own land in its inherited tongue. With the language one captures the heart of the people, and is it not a grand idea to plant the seed of well-being in the most distant future among so many peoples, Hungarians, Slavs, Romanians, completely in line with their own way of thinking, in their most distinctive and loved fashion?

A. It appeared to him to be a grander idea to amalgamate if possible all his states and provinces to one code of laws, to one education system, to one monarchy.

B. A favourite idea of our century! But is it feasible? Is it reasonable and beneficial?

We could take Herder's text immediately and declare it to be the Manifesto of Australia's original peoples.

Liberalism and social democracy are necessary but not sufficient: Man cannot live by bread alone.

If the engine of self-interest is cranked up, if the incentives structure is right, if people exercise choice, if the institution of private property is well developed; if there is social democrat provisioning of opportunity – our lives will still be unfulfilled. What we human beings really want to do are things like studying the Bible and the Talmud in the original Hebrew, Greek and Aramaic, as well as maintaining Aboriginal Australian languages in order to uphold week-long song cycles like those of the Yolngu in Arnhem Land.

This may seem a strange claim when many people appear to have few interests beyond socialising and entertainment. Individuals have the right to choose the course of their lives; my hypothesis, however, is that the cultural and spiritual side of human nature is suppressed. Aboriginal Australian traditional culture is evidence that when human behaviour is at equilibrium, people build structures of tradition tied to language and land and pass these traditions to the next generation.

Conservatism is the insight into the imperfection and mystery of human nature. This imperfection and mystery will ultimately make liberal and social democratic structures inadequate and unsatisfactory.

Conservatism is the idea that distinct groups of people should continue to exist because deep difference (not just multicultural diversity) is an end in itself. We may not know what the purpose of existence is, if there is one. The homogenisation inherent in liberalism and social democracy will rob us of many possible attempts to answer the unsolvable existential enigmas.

Conservatism is qualitatively different to liberalism and social democracy. Liberalism is based on a few principles, and then we let people do the rest through choice. But there is no end to the number of human traditions. Japanese and Aboriginal Australian concepts of liberalism are the same; Japanese and Aboriginal Australian variations on social democracy are similar; but Japanese and Aboriginal traditions are different worlds. Tradition is by definition about the detail and not the broad principle.

Self-interest is the engine that starts to drive the vehicle of social and economic progress. But tradition drives the human will to exist. Conservatism makes the case for continued existence in a deep sense – not just in the trivial sense of having biological descendants.

Too many Australian conservatives still don't understand this crucial point. They believe Aboriginal Australians will be content to survive physically and become prosperous and culturally assimilate into the great global English-speaking tradition. We will not.

Let me pay tribute to your country. To the indigenous and non-indigenous peoples of New Zealand I say that you have made great advances in your relationship and you stand as a beacon of inspiration to the world. You are creating a great civilisation in the southern Pacific. We can learn so much from your achievements at this stage of your story.



*Vote of Thanks*  
*Mike Pohio*  
*Tainui Group Holdings*



**MINISTERS OF THE CROWN, IWI LEADERS**, distinguished guests, ladies and gentlemen, it is my honour and great privilege to give this vote of thanks.

Transformational leadership – breaking new ground, breaking down perceptions and turning around dysfunctional behaviours – is not just about having courage and knowing what is right.

It is also about securing support and maintaining momentum to enable people to rebuild their lives, and to embed fresh perspectives in everyone’s thinking so as to develop a better collective culture within our society.

I would like to draw from something that our speaker said on 12 August 2000 at the Bathurst Panthers Leagues Club, which seems to retain its currency today and into the future: “Australians do not have an inalienable right to dependency; they have an inalienable right to a fair place in the real economy.”

In thanking you Noel, we honour you and the illustrations you gave us of the need to change and actively take responsibility for that change.

Kia ora.