

**Institute of Public Administration Australia
Northern Territory Division**

*The Inaugural
David Hawkes Oration*

*'The Northern Territory:
Achieving Take Off'*

**Annual General Meeting
Rydgcs Plaza
Darwin**

24 October 2002

Professor Bob Catley, B Sc (Econ), LSE, PhD, ANU,
Foundation Professor of Governance,
Associate Dean,
School of Business,
NTU,

What I have to say tonight is partly overshadowed by the fact that we are at war.

For the last thirty six years we have been able to operate as a country on the assumption that our largest northern neighbour is, if not friendly and nice, at least benign and non-threatening. We now face a different future in which organisations that threaten and have killed Australians are operating reasonably freely in Indonesia and may have, according to the Defence Minister and the Head of ASIO, some sympathisers in Australia.

Since we are in the closest Australian city to Indonesia, this situation will henceforth absorb some of our energies. Can we persuade the Indonesian government to crack down on these terrorists? If it agrees to, can it make its policy stick? And if it does, will that government survive the consequences of that policy? And if it does not, what complexion of government will succeed it?

These issues will dominate policy making in Canberra for some time I fear. And since we are the Territory whose centre of gravity is effectively closest to Indonesia, I fear it will have a corresponding impact on us.

Nonetheless, this is a public administration association and I will address most of my remaining remarks to that issue.

Public administration is a subset of the discipline for which I am the Foundation Professor at NTU – Governance. Governance is, in turn, an invention of the last decade or so to separate the study of an entire jurisdiction from its component parts in political science, law and economics. The term governance has been used quite widely by the World Bank and associated organisations when talking about difficulties of development occasioned by such issues as corruption, incompetence, lack of due process in legal systems, arbitrary uses of power, absence of clear title to property, nepotism and the like.

The term governance has been most widely applied in the study of sub-Saharan African economic development – or rather lack of it – and has more recently been adopted in a wider setting to incorporate the problems of, say, military dictatorship in Burma/Myanmar, lack of a commercial culture in many Arab/Islamic countries, and even the absence of a civil society in several of the countries that emerged from communist rule a decade or so ago. I might say that not dissimilar situations arose in Russia, South Africa and Indonesia after the dismantling of unsavoury dictatorships and some comparative studies of their governances might be in order.

I believe this usage of governance has both positive and less beneficial effects.

On the positive side, it has taken discussion of the causes of economic development out of the purely economic realm. I suppose it centers on the question of how societies can create conditions under which they develop or grow as part of their normal day to day functioning.

During my lifetime debates about the reasons for some societies undergoing economic growth and others not have gone through a number of stages. When I first studied economics the general view – led by two Lords who lectured me, Robbins and Bauer, was that a market system would produce economic growth and that as colonies were liberated from imperial rule they would continue the process of economic development. But as many liberated colonies failed to actually achieve such growth, concern grew that the market might be insufficient.

In the 1960s, therefore, many former colonial states, and their sympathetic theorists, adopted statist and import substitution policies to encourage development. They utilised tariffs, state owned enterprises (SOEs), and national economic plans to accelerate economic growth. In these policies, they were often assisted by the then Soviet bloc, which was itself an opponent of the market for other reasons. Despite their best efforts, these policies often produced little notable economic improvement and often political deterioration to go with it.

In their frustration, developing countries began to discern the root of the problem in ‘unequal exchange’ or the development of under development as the ‘dependency theorists’ put it. They came to think that the international trading system was stacked against them as primary producers and needed fundamental re-adjustment. In the 1970s, three means for achieving this were pursued.

First, some countries pursued autarky or self sustained development. This was, almost everywhere, a disaster in terms of both human rights and economic development as the instances of China, Kampuchea and North Korea all attest.

Secondly, primary commodity producing countries tried to offset what they believed were ‘declining terms of trade’ by establishing commodity cartels to push the price of their commodity up. The only successful instance of the use of this mechanism was that of OPEC involving oil. But although this did generate vast sums of money, the extent to which this was utilised to produce internal economic growth remains debatable in many of the recipient countries. But there were, of course, successes, including our near neighbour Malaysia.

Thirdly, on the basis of the Group of Seventy Seven at the UN, the Third World, as it was then called, demanded a whole raft of changes to the international trading system called the New International Economic Order. This petered out in the early 1980s against its lack of progress and in the face of the determined opposition of the US Republican government.

In the long 1980s boom, attention then shifted to the recognition that a group of developing countries had in fact generated already an astonishing record of economic growth. Most of these were in East Asia and several had achieved continuing rates of growth of around ten per cent per annum. These rates had lifted a few of them, like Japan, Hong Kong and Singapore, to the ranks of the richest countries in the world, and others, like South Korea and Taiwan to the same income levels as many European countries. In

the main, the policies they had pursued involved opening to the world market in capital, technology and trade and then working hard to run a competitive economy with Export Oriented Industrialisation (EOI) in ways which varied, in the particular, from country to country.

The World Bank proudly announced this to be the 'East Asian Economic Miracle' and suggested it could be readily replicated elsewhere if similar open market and sound fiscal policies were adopted. Later, these sound policies were identified as the 'Washington Consensus' and urged on pretty well all countries, developed and undeveloped alike, by the boys at the World Bank, IMF and US Treasury – all in Washington.

These policies were urged on and broadly adopted in Australia. I might note they worked here pretty well. Australia and its cities are now regularly showing up in international surveys as the best places in the world to live. And the Australian economy has been for the last ten years one of the fastest growing in the world and this has been generated in large measure by the growth of labour productivity.

But elsewhere these World Bank prescriptions ran into problems. Let me refer to three areas of some concern.

In sub-Saharan Africa growth remained sluggish or non-existent despite the general adoption of free market economic principles. One result was that, especially after the end of the Cold War stopped strategic competition for friends and allies on the continent, other and wealthy states stopped giving aid to African countries on the reasoning that it was money badly spent. The African states were widely regarded as internally corrupt, inefficient and militarist; and they continually warred on one another.

In the Arab world, to which so much money had been transferred by the oil mechanism and where large amounts continued to be received, economic development had not been universally achieved. Indeed, one of the regions which had not done well from the processes of globalisation was precisely that region which provided the most widely traded commodity on which the whole system depended for success.

And finally, the record of those states which had been liberated from the apparently failed system of entirely state directed economic development, the old Soviet bloc, was far from a success story in terms of economic progress. While several of the satellite regimes of eastern Europe did do well after the Soviet hand was lifted, and would do much better after they joined the international community more fully, much of the old Soviet Union proper hardly benefited from liberation. In particular, the Russian Federation, Byelorussia and Ukraine experienced even further economic decline after the dissolution of the Soviet Union, and the experience of many of the central Asian former Soviet republics was even worse.

During the 1990s, therefore, observers began to look far beyond merely economic systems and policy regimes for an explanation of the processes of economic development. A further complication then arrived in 1997-98 in the form of the Asian

economic crisis. This cast a shadow of doubt over the Asian economic miracle as some of the previous miracles stopped, like Japan, or slowed down, like Singapore and Malaysia, and others, like Indonesia, even lost almost all the gains they had made in the previous three decades. In part, this may account for the rise of the terrorist organisations.

This crisis did much to alert the world to the issues of corruption and probity in the processes of growth since the absence of due process in much of east Asia's commercial practices were now seen as not enabling the acceleration of growth but rather its retardation as foreign capital lost confidence in these states' legal, political and commercial procedures.

Japan refused to write off a mountain of debt by the usual Anglo Saxon legal device of bankruptcy, which permits capital to renew itself under new ownership. Several ASEAN states avoided the reform of financial institutions because their ruling organisations were deeply involved in their ownership and wealth. China could only permit further integration into the world market if it were prepared to commercialise its vast state owned industrial complexes and allow them to shed labour – a regime challenging reform. Indonesia has been unable to reform its practices under a government wracked with vacillation and has received little foreign capital in reward.

These developments turned the attention of development theorists towards the entire system of governance within a state as an object of study.

Did the form of post-colonial African governance inhibit economic development? If so, was this to do with ancient and pre-colonial concepts of rule, that included autocracy, nepotism and the arbitrary use of power and which made the operation of market forces impossible? Or was this because the legacy of colonial rule had so distorted social processes as to make it impossible for these societies to access the modern world market on terms which made their progress possible?

Out of this African dilemma grew also a form of analysis which tried to overturn the issue of development by standing it on its own head and denying its universal applicability as a standard of progress. African societies had their own virtues and values and could only be judged by them, the new post-colonial theory claimed. This overlapped substantially – at least in the intellectual world view - with the French mode of post-modernist thinking – most closely associated with the deceased Michael Foucault - according to which the intensification of capitalist modes of behaviour had only worsened the human condition in any case.

Both these viewpoints attracted substantial support in the late 1990s in African and European intellectual circles. They also had an impact in Australian Universities, so famously that David Williamson wrote a play – *Dead White Males* – satirising it.

In the case of the old Soviet bloc the issues were a little different. In eastern Europe, communism had not lasted long enough in most places to destroy the commercial cultures which had existed before 1945. In the Soviet Union, however, the communists

had spent three generations destroying capitalism and its civil society. After 1991 the more powerful forces to emerge included the old black market – the mafias – and the former communists who now enriched themselves massively. The naïve American reformers of the early 1990s merely provided mechanisms for the former communists to acquire formerly state owned assets at bargain basement prices.

The other great failure in the post-Cold War growth stakes has proved to be the Arab world. Much of the support for terrorist activities can be traced to the developmental failure of these states despite their acquisition of great wealth, much of its concentrated in very few hands. Here the issue has turned around the capacity of Islamic societies to create modern states and developed economies. The most effective, so far, may well be Malaysia which, although its is ruled by an Islamic political structure and class, has a non-Islamic minority population which has provided much of the commercial leadership.

So by the turn of this century the issue of growth, modernisation and development had assumed new and more challenging dimensions. It could no longer be assumed that development would necessarily take place among all human societies. It could not be taken for granted that particular economic policy regimes would produce the desired effects. It might be the case that some societies would go backwards when measured by the economic and social indicators of developed countries.

As an aside, indeed, according to some schools of intellectual thought, progress as measured by those countries might not be such a desirable outcome anyway. But these are still a minority report in the intellectual annals.

Most believe that growth opens options for a society to choose whether it wants more education, more health, more consumption, a better environment and so on. But first it must learn how to grow; and this requires learning how to learn. Most of these processes come out of private initiative and the structure of incentives in the private sector.

This background accounts for some of the intellectual approaches to public policy in the early twenty first century and the manner in which they impinge on attitudes towards governance in the Northern Territory – and that is, after all, our jurisdiction.

One result of the growth of post-colonial thinking will likely be that the Northern Territory, and Australia for that matter, will be judged by intellectuals and by the wider world by its performance towards the Indigenous population. This is our most pressing issue, but is not unproblematic. What seems so straightforward when seen from New York, a Paris salon or even behind a Midnight Oil guitar, however, has issues of almost impenetrable complexity when examined from up close.

Patterns of articulation between Indigenous societies and those of the more recently arrived have varied from country to country, but in no similar society has the outcome been so poor, arguably, for the Indigenous community as in northern Australia. The recent measurable improvements to Indigenous life patterns have occurred largely in the

urban environments. There is now one perspective that suggests that Indigenous life patterns may even be deteriorating in Desert Australia.

Furthermore, the existing three-decade-old policy framework of Indigenous 'self-determination' combined with full access to citizenship entitlements from the modern state, has come under recent and highly contested criticism for facilitating the development of 'dysfunctional' communities across much of Desert Australia. These criticisms have come from a number of directions, including: Noel Pearson, Minister John Ah Kit; Anthropologist Peter Sutton; former Labor federal Minister Gary Johns; and the South Australian Coroner, Wayne Chavell, to name a few. International reports, including from the United Nations, often take a similar perspective to the national embarrassment of many Australians.

Comment: Page: 2
Pearson limits his comments to
Cape York in the Tropical Savanna

There are alternative views. One is that historical legacy, mainly in the form of exclusion from the mainstream provisions of the state, cultural, structural and locational factors can explain in large measure the marginal socio-economic situation of Indigenous people in Desert Australia. This is especially the case with access to resource rights that are the foundations of wealth creations in Desert Australia. Another is that the contributions that are being and have been made by Indigenous people have national significance but are un-recognised and un-rewarded.

But there is widespread sentiment that the results of three decades of Indigenous self-determination policies are disappointing.

The 'tripartite system' of governance and service delivery comprising ATSIC, regional Land Councils and agencies of the Australian state – federal, state and Territory - may now need to be buttressed by innovative designs in local self-management. Attention needs to be focussed on creating self-supporting income generation deriving from whatever resources and opportunities lie to hand. Without them the population drift out of the semi-arid zone may well accelerate, leaving poorly serviced and largely Indigenous populations behind. It is not possible to identify *a priori* those economic activities that may be locally appropriate without detailed empirical investigation of local conditions, local comparative advantage and locational constraints. Some attempts can be made, however, to determine what systems of governance for development most encourage successful local community initiatives towards self-funding and self-sustaining commercial projects.

I am involved in the Desert Knowledge project and in particular with the proposal for a Cooperative Research Centre. The investigations therein proposed will take a variety of forms, including:

- Whether customary activities, including cultural, artistic, proprietarial and custodial, provide a basis for a contemporary commercial enterprise;
- Whether legal processes need to be modified to enable this to happen;
- Whether modern technologies can overcome problems of distance and sustain Indigenous communities in their existing locations while

providing appropriate service delivery – in the fields of health, education, training and security in particular - to Australian standards;

- Whether bio-prospecting has any chance of uncovering knowledge unique to the Desert environment and applicable in a wider commercial context;
- How customary legal systems may articulate with those of the modern Australian state without impeding economic development with shared benefits in, for example, the mining and pastoral industries;
- Identifying those factors that have enabled some communities to fare better than others and the manner in which these attributes may be replicated elsewhere.

Not only is this a pressing moral and political issue for the Northern Territory, it is also one of self-interest for its non-Indigenous inhabitants. The social and economic structures of the NT cannot be maintained to the level of advanced societies while a third of its inhabitants suffer from a dire pattern of retardation from the aspirations of the rest of the community.

The condition of the Indigenous people is, I believe, our most pressing problem of public administration.

The second issue of major importance to our governance, is that of maintaining economic development. Until our economy reaches a level which permits self-generating private capital accumulation, the NT will remain a frontier economy heavily dependent on national public subvention. This is an extremely unhealthy situation in all manner of ways. One which stands out, is the transient nature of much of the NT non-indigenous population. This is occasioned by the system of taxpayer subvention, which means that much of the work force rotates either through public sector practice or through the oscillations of the demand for labour in the private sector. One result is that a powerful sector of the population that might usually have a long term and self-interested commitment to social improvement, is more concerned about personal exit strategies.

In order to overcome these problems, NT requires attention to the opportunities of economic growth. In this respect I might make three suggestions.

One is that the impediments to mining development be more seriously addressed. I am not in a position to determine the extent to which land tenure ambiguities have contributed to the slow development of the mineral industry in the Northern Territory – although I do recall the manner in which the development – that is non-development - of Coronation Hill got caught up in the Labor leadership struggle of 1991. The incoming new Keating Cabinet - according to Neal Blewett's memoirs - appeared to agree the decision had been irrational but decided not to reverse it.

The second is that the federal government might now more rationally decide that since it has to subsidise the Northern Territory economy anyway for strategic reasons, it might as well do so more productively by enabling the onshore deployment of the off shore natural gas fields. In this I am in wholehearted agreement with Team NT. One way to go here

might be to utilise Treasurer Peter Costello's difficulties with the money markets who have expressed concern that his elimination of Commonwealth debt – a most desirable outcome – will deprive the investors of government stock. Instead, the Commonwealth might issue Development Bonds for specific projects like some pipelines linking the offshore fields with Darwin and the south-eastern markets for example. These could cheapen gas in the south-east, ensure national assets are augmented, and be utilised on a build, lease, give back basis or similar.

Third, the best way to ensure the settling population becomes less transient is to provide an environment and administration which matches national best practice. The level of subsidisation has often diminished the need for this. The NTU, for example, should provide a vital component for the evolution of a settled NT middle class able to educate themselves properly largely in the NT. But we have often not striven for best practice and are now having to go through a difficult and painful task of re-adjustment.

The third big issue facing the NT is its continuing dependence on the state, and in this case the NT public sector is in turn heavily dependent on the Commonwealth. It is dependent financially, receiving over 80 per cent of its revenue from Canberra; its economy is further dependent on Commonwealth spending in a wide range of areas from the welfare system, through Indigenous support programs through the military who may provide over fifteen percent of the NT gross product; it has a legally subordinate jurisdiction; and this year's budget which benefited greatly from the last minute Commonwealth financial injection of I believe \$80 million.

Fortunately the Commonwealth, as I earlier noted, has been among the best performing Treasuries in the world recently.

Typically, as I have written elsewhere in *Globalising Australian Capitalism*, Australian colonies started with a heavy dependence on the state and gradually weaned themselves off this as their private capital base expanded. But only the ACT has experienced a similar dependence on the Commonwealth Treasury to the NT. The ACT has now assumed some greater level of independence but this still rests heavily on the presence of a large and well-funded public service presence. The NT, on the other hand, has vast natural resources and a favourable geographic location that should enable it eventually to break free of the present level of dependence.

It should pursue this 'take off point' with some vigour.

To this extent the population base, the fourth great issue, will matter.

The notion of a take off point has been embedded in development debates since W W Rostow wrote his *Stages of Economic Growth; A Non-Communist Manifesto*, some forty years ago. He was never entirely clear what he meant by this. Extrapolating, however, it appears to mean that point at which a newly established economy and society – whether newly independent or newly settled or newly both - attains that level from which it can generate its own growth and development and self-sustain a growing community. In a

globalised world economy this now must incorporate the ability to access the world market in goods, capital, technology, knowledge and labour.

How far away from this point is the NT?

The government recently released its ideas for a population policy which would see the NT continuing to grow at a rate faster than that of the nation as a whole. This is extremely useful and deserves some follow up policy action. The central policy here must be to ensure the conditions of life in the NT are such as to attract people and productive and innovative people in particular. In the main this is being achieved as the anticipated inflow of settlers will attest and as the boom in residential building already implies. The most negative aspect of the Territory's profile in this respect probably remains the issue of law and order. Since I am no expert in that field I will merely note the difficulty and urgency associated with the policy response and move on.

I have already noted that Rostow was notoriously evasive about those indices which might identify the take off point for most societies. Nonetheless, I might suggest a few for the Northern Territory:

- When there is a clear tendency towards a closing of the social and economic gaps that separate the Indigenous and non-Indigenous populations;
- When local revenue generated for the Northern Territory budget exceeds forty per cent of the total;
- When the transient per centage of the population is half what it is in 2002;
- When six international airlines fly regularly from Darwin and two to Alice Springs;
- When total freight discharged by the port of Darwin is greater than Hobart and its costs lower than Adelaide;
- When the NTU rates in the top half of Australian Universities;
- When the growth rate of new mines exceeds that of Western Australia;
- When the Northern Territory population passes that of the ACT; and
- When the Northern Territory gets an AFL side.

What can public administration do to achieve these outcomes?

We can each in our own sector try to ensure that the quality of the policy decision-making and implementation process is the equal of those elsewhere in Australia.

But in the longer run, we in the state sector should be trying to put ourselves in a smaller line of business altogether. The Northern Territory would be better off were it more like the other states of Australia and less of a state run show.

That is one longer-term end towards which public administration in the Northern Territory might well direct itself.

But, in the short term I would like to return to the theme of my opening remarks. Development cannot take place without security. We are on the doorstep of the largest Islamic population in the world. If its security problems are not successfully addressed the Top End faces the prospect of a lasting security dilemma with all the problems concerning surveillance, supervision and control which that implies.

Far from becoming a prosperous tropical market economy, we could become the front line of a garrison state.

To this end it is vital that we persuade the Indonesian government to undertake the task of apprehending the perpetrators of the Bali outrage, punishing them appropriately, rooting out their support organisations and ending the circumstances that spawned them and the lax legal system that permitted them to flourish.

If that isn't done effectively then much of the rest that I have said tonight may be deleted.

