

**ABORIGINAL AUSTRALIA:  
AN ECONOMIC HISTORY  
OF FAILED WELFARE POLICY**

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***Abstract:***

*Aboriginal welfare policy of recent decades has been widely rejected as a failure. Radically different policies are now being trialed, in recognition of the continuing large gap between indigenous and non-indigenous living standards. Some Aboriginal leaders themselves have called for a rejection of the passive welfare policies of the past, in acceptance of a Friedman-style critique of 'money for nothing' welfare handouts, while nonetheless calling for a Sen-style capabilities approach to the policy needs of the future.*

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## **I. Introduction:**

Australia's Aboriginal population has just passed the half million mark, representing some 2.5% of the total population of about 21 million. In the midst of Australian prosperity and its world-class health and education systems lies what is now widely regarded as the national shame of Aboriginal living conditions. Particularly in remote areas, Aboriginal circumstances are so conspicuously unsatisfactory that critics regard the Aboriginal population as comprising something of a separate third world country, within the Australian mainstream. Respected Aboriginal leader Noel Pearson has described life in his North Queensland hometown as "a living Hell".

An immediate indicator of this situation is the fact the full-blooded Aborigines were not even counted in the Australian population census until a referendum changed the Australian constitution in 1967. That referendum received overwhelming support, but the new dawn that was anticipated did not in fact arrive, and – despite significant expenditures – the welfare policies of the decades since then have failed. Radical new policies are now being trialled.

While it is probable that many Australians remain largely unaware of the history of Aboriginal affairs since European settlement began in 1788, there is no doubt that there has been a sea-change in community interest in recent years and that there is now a widespread desire to see decisive policy reforms and significant improvements in Aboriginal living standards. In belated recognition of this national shame, the Australian community and government have just celebrated February 13, 2008 as national 'sorry day'. Newly elected Prime Minister Kevin Rudd delivered an apology to the Aboriginal people for past wrongs and suffering, especially in respect of their 'stolen generations'. This action, although purely symbolic, seems to have been particularly important to Aboriginal people, and was deemed a prerequisite to reconciliation and a new beginning. While many argue that an apology without compensation rings hollow, the Rudd Government maintains that its priority is not to establish a compensation fund but to take practical action to close the gap in life expectancy, and the gap between aboriginal and non-aboriginal populations in education and health standards. The apology is not meant to be a matter of mere words.

**Table: Key Indicators of Aboriginal Disadvantage**

<b>Life expectancy</b>	Life expectancy for Indigenous people is estimated to be around 17 years lower than that for the total Australian population. In North America and in New Zealand the equivalent differential is much less, at about 7 years.
<b>Disabilities</b>	In non-remote areas in 2002, Indigenous adults were twice as likely as non-Indigenous adults to report a severe activity-limiting disability. In 2004-05, the Indigenous rate for kidney disease was 10 times as high as the non-Indigenous rate, and this gap is widening. In 2004-05, Indigenous people were three times as likely as non-Indigenous people to have diabetes.
<b>Schooling</b>	In 2006, 21 per cent of 15 year old Indigenous people were not participating in school education, as against only 5 percent of non-Indigenous 15 year olds. In 2006, Indigenous students were half as likely as non-Indigenous students to continue to year 12.
<b>Employment and unemployment</b>	In 2004-05, the labour force participation rate for Indigenous people (58.5 per cent) was about three quarters of that for non-Indigenous people (78.1 per cent). From 1994 to 2004-05 the unemployment rate for Indigenous people fell from 30 per cent to 13 per cent, but remained about 3 times the rate for non-Indigenous people (4 per cent).
<b>Household Income</b>	For the period 2002 to 2004-05, median gross weekly equivalised household income for Indigenous people rose by 10 per cent (from \$308 to \$340). This compares to \$618 for non-Indigenous households in 2004-05. In 2004-05, over half of Indigenous people (52 per cent) received most of their individual income from government pensions and allowances, followed by salaries and wages (34 per cent) and CDEP (10 per cent).
<b>Home Ownership</b>	The proportion of Indigenous adults living in homes owned or being purchased by a member of the household increased from 22 per cent in 1994 to 25 per cent in 2004-05 (figure 3.7.1) – but at 27% is much less than the 74% for non-Indigenous households.
<b>Suicide Rates</b>	Suicide death rates were higher for Indigenous people (between 19 and 45 per 100 000 population) than non-Indigenous people (between 11 and 16 per 100 000 population) in Queensland, WA, SA and the Northern Territory (NT) in the period 2001 to 2005.
<b>Child Abuse</b>	In 2005-06, Indigenous children were nearly four times as likely as other children to be the subject of a substantiation of abuse or neglect. From 1999-2000 to 2005-06, the rate of substantiated notifications for child abuse or neglect increased for both Indigenous and non-Indigenous children.
<b>Murders</b>	Of 245 homicides in Australia in 2004-05, Indigenous people accounted for 15 per cent of homicide victims and 16 per cent of homicide offenders (against about 2.5% of the overall population).
<b>Incarceration Rates</b>	In 2006, Indigenous people were 13 times more likely than non-Indigenous people to be imprisoned. Indigenous imprisonment rates increased by 32 per cent between 2000 and 2006. In the criminal justice system indigenous people are over-represented as both offenders and victims
<b>Infant Mortality</b>	Indigenous infant mortality rates in most of the states and territories for which data are available have improved in recent years. Nevertheless, mortality rates for Indigenous infants in these jurisdictions remain two to three times as high as those for the total population.
<b>Alcoholism</b>	In 2004-05, survey results indicated that a higher proportion of Indigenous adults reported that they did not drink or had never drunk alcohol (53 per cent) compared to non-Indigenous adults (36 per cent), but among those who drank alcohol, the reported rate of short term risky to high risk drinking for Indigenous people (17 per cent) was nearly double the rate for non-Indigenous people (8 per cent), even though the rate of long term risky to high risk drinking for Indigenous people was not statistically different to that for non-Indigenous people.

Source: *Overcoming Indigenous Disadvantage: Key Indicators 2007, Overview.*

In short, the Aboriginal history of Australia is not a happy one. Aboriginal communities are beset with problems of alcoholism, domestic violence, child abuse, poverty, unemployment and existential hopelessness. Despite some successes in integration, and success stories especially in sport and the arts, many Aboriginal people seem marooned on a no-man's land somewhere between their traditional lifestyle, which doesn't really fit anymore, and the modern mainstream, which seems to remain out of reach.

Emeritus Professor Helen Hughes (2007b) notes that in 1999 *The Guinness Book of World Records* added colour by giving Palm Island the unwanted accolade of "the most violent place on Earth outside combat zones". She adds that Palm Island is "an almost unimaginable slum" - with 'Third World' health standards and a life expectancy 30 years less than in the rest of Australia - instead of an island of tropical beauty off the coast of one the richest countries in the world. Moreover, Hughes's assessment is that Palm Island is a typical victim of the apartheid-like policies that have denied Aborigines mainstream Australian lives since the 1970s, and she contends that any group subjected to the same policies would become dysfunctional. Recast in Milton Friedman's terms, her contention is that it was misguided government intervention that destroyed the social fabric of the Indigenous community, and made Palm Island the jobless, welfare-dependent, dysfunctional slum that it is today.

## **II. Present Circumstances:**

The Productivity Commission Report on *Overcoming Indigenous Disadvantage* (2007; also *Weekend Australian* 2-3 June 2007) provides a kind of report card on progress in responding to issues of indigenous disadvantage. In a nutshell, it notes that "Across virtually all the indicators in this Report, wide gaps remain in outcomes between Indigenous and non-Indigenous Australians". Progress has been made in respect of some indicators, but in other cases the divide between indigenous and non-indigenous circumstances has grown wider. Most telling of all is the fact that life expectancy is some 17 years shorter for the Aboriginal population than for other Australians. The Productivity Commission report also notes that Aborigines are 13 times more likely to be jailed than other Australians, that in 2005-06 indigenous

children were nearly 4 times more likely than other Australians to be the subject of child abuse or neglect, and that long term health issues far exceed those for non-indigenous Australians. Most of the worst problems are concentrated in the remote communities cut off from jobs, education, health and hope.

### **III. Early History: genocide, protectorates, and stolen wages:**

‘History wars’ have been fought in recent years, as protagonists of different accounts of Aboriginal history have voiced their views. One view is that a genocide occurred against the Aboriginal people, starting from the earliest days of British settlement. That genocide involved the deaths of perhaps 20,000 Aborigines in fights with troops, police and settlers in the course of dispossession, along with the deaths of many more as a result of introduced diseases, and the subsequent compounding of the ‘military’ deaths via a policy of ‘stealing’ Aboriginal children away from their families. A second view – proffered by ex-Prime Minister Howard and others - is that this ‘black armband’ view of Australian history is much exaggerated, and that much was in fact done with goodwill. Howard and his Ministers took the view that many of the children said to have been *stolen* were in fact *rescued* – and were provided with much improved circumstances.

Professor Ben Kiernan is director of the Genocide Studies Program at Yale University. He argues (2002:177) that “the Aboriginal rights issue emerged slowly against a backdrop of genocide”. He notes that the Aboriginal population is estimated to have fallen from 750,000 in 1788 to 31,000 by 1911, with most deaths due to introduced diseases, but, according to historian Henry Reynolds, with perhaps another 20,000 killed resisting white occupation between 1788 and 1901. Then, adds Kiernan, in the twentieth century Australian governments took thousands of ‘half caste’ children from their families to ‘breed out the colour’. The Chief Protectors of Aboriginal Affairs in Queensland, Northern Territory and Western Australia in the 1913 - 1942 period are quoted to the effect that they recognised the importance of preserving the purity of the white race and breeding out Aboriginality by taking ‘half castes’ and absorbing them into the white population (see Meston, 1895; 1923). Kiernan cites the *Australian Archives* in adding that from 1910 to 1970, ten percent of Aboriginal children were separated from their families, and notes (2002:180) that the

1997 Human Rights Commission report *Bringing Them Home* found that the removal of Aboriginal children itself constituted genocide. A contrary view promoted in the popular press, however, is that the genocide claim is false, since “there is no evidence, in legislation or regulation, that the misguided policy was a planned and considered move to exterminate Aborigines” (*The Australian*, editorial, 25 March, 2008).

A system of ‘protectorates’ was used in the earlier decades of the twentieth century to administer Aboriginal affairs, via highly paternalistic policies applied within designated Aboriginal reserves in certain States. The European ‘protectors’ had overwhelming powers of control. In that context, controversy emerged about the issue now known as ‘stolen wages’ (Kidd, 2007), which is quite separate from the ‘stolen children’ controversy. In the days of European administrators or protectors of aboriginal settlements, indigenous wages and savings were held in trust by the State, and application had to be made to ‘the protector’ to spend one’s own money, even for menial items such as groceries and clothing. Perhaps unsurprisingly, some of this money disappeared, and some is still held in these State trusts - as Aboriginal income earners failed to receive the full value of their own ostensible wages. In Queensland, detailed records were kept of individual savings for every ‘ward of state’ (aboriginal), leading to acknowledgement of these ‘stolen wages’ in existent government accounts. In 2002, in the spirit of reconciliation, the Queensland Government therefore sought to settle the matter of stolen wages by making a compensation offer to Aboriginal and Torres Strait Islander people whose lives had been affected by the exercise of past Government controls over their wages and savings under the “Protection Acts”. This offer was capped at \$55.4m [[http://www.datsip.qld.gov.au/datsip/work\\_savings.cfm](http://www.datsip.qld.gov.au/datsip/work_savings.cfm) accessed 2/3/07]. It included an apology to all living persons who had their wages and savings controlled and who are eligible to make a claim for compensation, on condition that all approved applicants sign an indemnity agreement against the State. Eligibility depended on being alive at the time of the offer and being able to provide proof of birth. While this reparations gesture represented a step forward for Aboriginal people in gaining recognition for past injustices, the adequacy of the reparations offered remains contentious, especially in view of the fact that the government of the day unilaterally decided on the level of reparations required, despite there being an estimated \$180 million of workers wages in the Queensland accounts with the Commonwealth Bank (Davidoff, 2007). The government also

limited claims to only a few thousand dollars (eventually \$7,000), failed to provide claimants with copies of their financial records, failed to offer compensation to the estates of those already deceased, and - as the price of claiming these small sums - demanded that successful claimants indemnify the state against any further legal action. Perhaps unsurprisingly in these circumstances, some \$36 million of the \$55.4m allocated was left unclaimed, and the Queensland Government has subsequently suggested it will divert this 'surplus' to school scholarships for aboriginal students. Insofar as what is at issue is the return of private income – as against compensation for some other 'wrong' - Kidd (2003; 2008) quite properly describes these arrangements as “an abuse of human rights [and] a perversion of justice”. Disgruntled indigenes continue to demand full restitution of what is legally theirs, and dismiss as irrelevant any Queensland Government defences that \$55.4m is as much as can be afforded.

#### **IV. Welfare Policy Since the 1967 Referendum: Phoenix Rising?**

May 27, 2007 marked the fortieth anniversary of the 1967 referendum. It was marked by laments over the lack of progress over those four decades. Indigenous communities remain dysfunctional, and are beset with violence, poor health, high incarceration rates, unemployment, poverty, welfare dependence, lower educational involvement, and low respect for the law. Outside remote communities, tension remains between cultural groups in Australia, leading to emotional trauma, the fear of employment discrimination, and general cultural frustration. Many Aboriginal leaders themselves have come to accept the need for desperate measures for desperate times, and just such desperate measures were in fact delivered by the Howard Government in 2007, shortly before it lost office, in the form of emergency intervention into Australia's Northern Territory (NT). A taskforce of police, medical personnel, troops, and administrators was sent into the NT remote aboriginal communities to break the cycle of violence and poverty. Remarkably, just as Australia has sent troops into the Solomon Islands to try to restore civil order there, so the national government was forced to do something similar within its own borders.

In Queensland too, past welfare approaches are being abandoned, largely as a result of the agitation from Aboriginal groups themselves, notably including Noel Pearson's

Cape York Institute. Significant welfare reforms will be introduced from July 1, 2008. Welfare payments will no longer be unconditional, but will be paid subject to performance in respect of improved standards of child safety, schooling and home maintenance. Such reforms are regarded by some as unacceptably paternalistic and discriminatory, but Pearson himself unhesitatingly accepts that practical improvements are unlikely in the absence of the quarantining of some part of welfare payments to ensure that monies received are in fact spent on food and child care, rather than on alcohol and drugs.

The series of events that has brought Australia to this position includes several landmark legal decisions and administrative reports. Given Aboriginal attachment to the land, the most significant of these was perhaps the High Court's Mabo land rights decision of 1992. In that decision the High Court rejected as legal fiction the notion of *terra nullius*, or the notion that the first European settlers merely took over an unoccupied land mass. For the Aboriginal people this decision represented acceptance of Aboriginal land rights over certain traditional tribal lands and was a landmark political and psychological victory. It has yet to bear full fruit, however, since outstanding native title claims have been resolved only slowly. In consequence of this and of the need to re-examine the distribution of payments between native title claimants, the new Rudd federal Government now seeks to review the native title system to ensure that it does a better job of allowing its intended beneficiaries to benefit from the current minerals boom.

The Mabo decision was followed in 1997 by the Human Rights and Equal Opportunity Commission's *Bringing Them Home* report, which investigated the 'stolen generations' issue. It claimed there had been genocide between 1910 and 1960, perhaps even into the 1980s, and recommended compensation as well as an apology. That apology was denied by the Howard Government during its 11 years of power 1996-2007, but was immediately offered by the new Rudd Labor Government in a much commemorated national 'sorry day' event on 13 February, 2008. *Bringing Them Home* states that "Indigenous children have been forcibly separated from their families and communities since the very first days of the European occupation of Australia." Governments and missionaries both sought to remove Indigenous children from their families in order to 'inculcate European values and work habits in children,



who would then be employed in service to the colonial settlers'. The government reserved land for the exclusive use of Indigenous people and assigned responsibility for their welfare to a Chief Protector or Protection Board, equipped with extensive power to control Indigenous lives. With some variations from State to State, the general policy was that full-blood Aborigines were to be 'protected' and 'half-castes' to be 'absorbed' into the white population. Poverty was regarded as synonymous with neglect, and was accepted by the courts as grounds for removal of children. 'Self-determination' in Aboriginal homelands evolved, but was never granted in any true sense, as it was in other colonized nations, and this led to recurrent legislative and cultural clashes between Australian law and the symbolic 'self-determination' of the 1970s. Exaggerated cultural sensitivity left self-determined Aboriginal homelands as dysfunctional 'living museums'.

*Bringing Them Home* acknowledged that it is not possible to state precisely how many children were forcibly removed, even if any 'unofficial removals' are ignored. Official records are missing or incomplete, but the Report notes that historian Peter Read estimated the number of Indigenous children removed in New South Wales between 1883 and 1969 to be 5,625 (on the basis of official records). Additionally, Aboriginal adults have been surveyed to ask whether they were removed in childhood. One such survey of 600 Aboriginal people in the Kimberley region of WA in the late 1980s indicated that one-quarter of the elderly people and one in seven of the middle-aged people reported having been removed in childhood. Overall, the *Bringing Them Home* Report finds that nationally we can conclude with confidence that "between one in three and one in ten Indigenous children were forcibly removed from their families and communities in the period from approximately 1910 until 1970. In certain regions and in certain periods the figure was undoubtedly much greater than one in ten. In that time not one Indigenous family has escaped the effects of forcible removal. Most families have been affected, in one or more generations, by the forcible removal of one or more children." As for reparations, *Bringing Them Home* recommends that there is an international legal obligation 'to repair the damage caused', requiring reparations in the forms both of monetary compensation and measures of rehabilitation.

Despite its historic apology in February 2008, however, the Rudd Government has committed to no such compensation payments, and maintains that the better form of compensation is to now take effective action to eliminate the 17 year disparity in life expectancy. Given that action to restore equality to health, education and living standard opportunities was incumbent upon the Government anyway, critics find this unimpressive, and no less than another ‘theft’ from the Aboriginal population. *Bringing Them Home* did acknowledge, however, that appraising past policies from the standpoint of present values was a questionable exercise, and the Rudd Government position presumably seeks shelter in this view.

Another influential Report was presented in 2007, when The *Little Children Are Sacred* report, by Rex Wild QC and Pat Anderson, presented the findings of a Northern Territory enquiry into the sexual abuse of Aboriginal children. This *Little Children Are Sacred* report notes that NT aboriginal children live amidst considerable problems of alcoholism and school absenteeism. It accepts that the sexual abuse of children in Aboriginal communities is a symptom of the broader breakdown of aboriginal society, and that what is required are generic responses on the overall social and cultural level, rather than specific band-aids over particular problems. Alcoholism, unemployment, lack of education, boredom, poverty and over-crowded housing have led to violence, and in extreme cases to the sexual abuse of children. Improved education and firmer responses to the scourge of alcoholism are integral to the necessary responses. The authors note too that money was available, since the Australian Government regularly brought down significant budget surpluses in recent years (running at some \$10-16 billion per year), and they effectively issue a challenge by noting that too little has been done, despite long standing knowledge of the problem, because of a lack of political will.

The Howard Government responded by passing *emergency response legislation* in 2007 to intervene in Northern Territory Aboriginal communities. The government accepted that alcohol, violence and child sex abuse are destroying aboriginal communities, and legislated to protect children and make communities safer. It set about putting more police in communities, providing health checks for children, banning alcohol and pornography in Aboriginal areas, and changing the welfare payments system to make it conditional, so that benefits intended to help children are

in fact used for children and for creating jobs in communities. Steps will be taken to ensure that all Aboriginal children attend school. This Emergency Response involves spending in excess of \$0.5 billion in 2007-08.

Under the emergency response, in prescribed areas there is now a ban on having, selling, transporting and drinking alcohol, in acceptance of The *Little Children Are Sacred* report's identification of alcohol abuse as the 'gravest and fastest growing threat to the safety of Aboriginal children'. The overall goal is to provide children with better health facilities, better housing, and altered – conditional - welfare payment rules to ensure that monies received by parents in fact achieve worthwhile results in terms of nutrition, education, security and community life, instead of merely subsidizing drunkenness. At least in NT Aboriginal communities the idea of believing in rights without correlate duties, or obligations, has come to an end. In furtherance of the goal of improved community governance, the government also deemed it necessary to acquire five-year leases over townships because much money has hitherto been wasted when spent on housing, infrastructure and repairs, since the Government had no control over the assets. Similarly, in keeping with the notion that the best protection against abuse is the free flow of information, changes are being made to the 'permit system' which has seen Land Councils or traditional owners allowed to grant permits to enter and remain on Aboriginal land in the Northern Territory. Media coverage will be easier. Private residences and sacred sites will still be protected, but the requirement to obtain a permit is now being removed in relation to common areas of major townships, access roads to these townships, and airstrips and barge landings. People attending court hearings or doing government business on Aboriginal land will not now need a permit. Critics of the permit system and the policy of 'separatism' see that system as having been disastrous and as having accomplished little more than the suppression of truth. Have the gatekeepers of the permit system in fact protected Aboriginal culture, or have they merely protected the perpetrators of misdeeds from exposure?

One further report of note arises from the 2008 Hope Coronial Enquiry in Western Australia, in the wake of concerns regarding Aboriginal suicides (including the suicide of an 11 year old boy: *The Australian* 26 Feb 2008) and alcohol-related deaths. On 25 February, 2008 Western Australia (WA) Coroner Alistair Hope

released his 212 page report into the deaths of 22 Aboriginal people from alcohol or cannabis-related abuse in the northern Kimberley region since 2000. He lamented as ‘inexplicable’ the suicides of 21 young Kimberley aborigines in 2006. He described the living conditions in Kimberley Aboriginal communities as “appallingly bad”, and described the plight of Kimberley children as “especially pathetic”. He identified “massive” alcohol abuse in the region, failing education, substandard housing, chronic unemployment and poor health as contributing causes of community problems, and described the approaches of the WA and federal governments as “seriously flawed”. He described aboriginal living conditions in the Kimberleys as a disaster, with no one in charge of disaster relief (given 22 overlapping agencies). In consequence, despite WA spending \$1.2 billion each year on the issue, conditions for Aboriginal people in the Kimberleys are growing even worse. Echoing both the concerns and the reforms unfolding in NT and Queensland, Coroner Hope advocated that welfare payments should be made conditional, using vouchers to ensure that people had less money to spend on alcohol. He noted that in a region where Foetal Alcohol Syndrome rates are 21.5 times higher than in the rest of the State, there is reason to widen the ban on all but low strength alcohol. Targets and performance criteria are needed if welfare spending is to be focussed on achieving desirable results, instead of merely financing drunkenness.

All in all, a rising groundswell of community opinion now demands decisive action. The new federal government has undertaken to continue with the Howard Government’s emergency response in the Northern Territory, and the Western Australian and Queensland State governments are moving towards significant new approaches to Aboriginal welfare policy. These approaches are paternalistic, but are different from past paternalism insofar as they seek to be experimental in promoting ‘positive discrimination’, and are oriented towards the achievement of certain social ends, rather than just to the provision of the financial means to afford the indulgence of individual freedom and consumer sovereignty in the choice of those ends. They therefore raise question as to whether the ultimate goal of even conservative political parties is to promote individual freedom (which it would be for Milton Friedman) or social progress (which it would be for J.S. Mill, on at least some interpretations, despite Friedman’s own professed foundations in J.S. Mill as well as Adam Smith).

## V. A Friedman-style critique of past Aboriginal welfare policy:

Milton Friedman has long argued that government intervention, even when well intentioned, is often counter-productive in practice. Past Australian Aboriginal welfare policy might in fact be seen as an example par excellence of Friedman's case, which offers a compelling explanation as to why aboriginal social and economic systems have broken down so badly. Respected Aboriginal leader Noel Pearson now sees himself as something of an Aboriginal incarnation of Milton Friedman, despite describing himself as a man of the *left* who seeks to uplift the Aboriginal underdog. He accepts that passive welfare spending has been a disaster which has facilitated a dissolute lifestyle in which welfare dependence has financed "the grog". This in turn has fed domestic violence and an abandonment of both traditional value systems and anything viable to replace them. Over time, Pearson has therefore become an advocate both of the policies of reliance on individual responsibility, and the critique of welfare state policies associated with Friedman and the political *right*. In effect, he now sees himself as a man of the left who says 'give me Friedman' when it comes to avoiding ineffective policy 'solutions'. Pearson echoes Friedman in concluding that in the long term money for nothing is corrosive. The main problem is thus not government under-funding of Aboriginal services so much as the total absence of the sort of incentives that shape citizenship and individual behavioural responses in mainstream society.

Friedman's general critique of welfare state policies emphatically objects that it is not policy *ends* or goals that have been at fault, but the choice of policy *means* chosen to advance those goals. Indeed, according to Friedman (1980), the reality is that government interventions in the welfare state have commonly produced counter-productive results in respect of all three domains of efficiency, equity and the preservation of the social fabric. And this is precisely what Pearson concludes in his assessment of the present plight of Aboriginal communities, in which he accepts that the 'passive' welfare handouts of recent decades all but guaranteed on-going unemployment, alcoholism and irresponsibility, the vulnerability of children in particular, and the overall breakdown of traditional culture and social life. Friedman himself complains that while economists routinely look to the efficiency and equity implications of government policies, they often fail to recognise the cumulative effect

of past policies on the preservation of 'the social fabric', but it is precisely here - in the Aboriginal community's loss of its own identity, traditions and value systems - that Pearson and others see the biggest problem of all. To quote Pearson (cited in Peter Saunders, *Australia's Welfare Habit*, 2004, p192): "the resources of passive welfare are fundamentally irrational. Money acquired without principle is expended without principle...the irrational basis of our economy has inclined us to wasteful, aimless behaviours ...we waste our money, our time, our lives." Friedman would doubtless be impressed by Pearson's insight. Government sought to help, but hurt the cause instead.

Thus, from a Friedman perspective, welfare dependence, CDEP sheltered employment, the absence of a clear link between personal behaviour and income or reward, and such like have destroyed Aboriginal ability to manage their own lives and have destroyed their "social fabric", thereby contributing to the upsurge in alcoholism, substance abuse, violence, passivity and hopelessness. Despite the good intentions evident in large funding flows to Aborigines and Torres Strait Islanders, good intentions do not themselves guarantee good results, and in any case, much of this funding has failed to reach the intended beneficiaries but has gone instead to indigenous elites and to non-indigenous bureaucrats and consultants (Helen Hughes in another echo of Friedman).

Nonetheless, in looking for *future* policy solutions in *response* to the present catastrophe, Pearson rejects Friedman's emphatic endorsement of laissez-faire and the market mechanism as limited and inadequate. He sees more of benefit in Sen than in Friedman, and endorses a Sen-style case for the development of human capabilities. Amartya Sen (1999) stresses that 'freedom' has both positive and negative attributes, and that in the presence of serious deprivations selective government interventions may be required to establish the positive freedoms that some communities presently lack. 'Equality of opportunity' is a concept much endorsed by Friedman, but it entails more than an absence of negative barriers to freedom in the form of restrictions such as chains. Positive freedoms are also required. More meaningfully understood, equality of opportunity thus requires positive action to provide education, health and political coherence. Accordingly, it is to this Sen-style position that Pearson defers in

endorsing the need for selective interventions today, as in the case of the 2007 NT emergency response legislation or in the form of the 2008 welfare trials about to be introduced in Queensland in response to his own Cape York campaign. Consistent with Sen's position, Pearson (cited in *The Australian*, 13 March 2008) is emphatic that the situation in remote communities is desperate and that those who prescribe no intervention "are prescribing a perpetual hell for our children". To that extent, he rejects both a Friedmanite understanding of (negative) 'freedom' and a laissez-faire approach to the future. He is more interested in the practical resolution of vicious circle problems than ideological intransigence, and for him it therefore follows that action to limit alcoholism and promote better nutrition are essential first steps to reversing the 17 year difference in life expectancy. In effect, Pearson is effectively deferring to J.S. Mill, to whom Friedman himself pays deference, in accepting that there are prerequisites to arriving at a position in which laissez-faire itself becomes an appropriate policy. For Mill (at least on some interpretations), and for Pearson, the chief desideratum is social progress, rather than individual freedom (which is what it remains for Friedman). Simply maximising utility seemed a limited objective to Mill, and he felt compelled to qualify it as a social philosophy. Accordingly, he made a qualitative distinction between the pleasures, placing mental pleasures above bodily ones, and allowed that his doctrine of individual liberty did not apply to all persons at all times, since the individualism he extolled was that of the morally educated individual, not just the present individual. On both levels, Noel Pearson's stance appears to be in harmony with Mill's conception.

Just as Sen argues that human capabilities (including health, education, and political freedom as the most basic capabilities) are a prerequisite to real choice, so Pearson (2007) accepts that it is nonsense to say that an indigenous child in a remote community has the right to choose her life path, given poor health, minimal education and community disruption. "Her choices have already been made for her". Moreover, whereas Sen mainly addresses Third World countries where the problem is one of lack of *opportunity*, Pearson stresses that the problem in Aboriginal communities is lack of *responsibility* (as a result of the cumulative impact of past policies of passive welfare). He therefore broadens Sen's conception and argues that individual choice is affected by incentives and culture as well as by capabilities. As he sees it, it is the shortage of responsibility, rather than the shortage of opportunity, which dominates in

Aboriginal circumstances. For many in the remote communities, the reality has been that there has been no real choice at all.

Pearson is widely regarded as the outstanding Aboriginal leader (including by ex-Prime Minister Howard), but has his critics. He appears not to have been invited to the national ‘sorry day’ apology ceremony on February 13, 2008. He has himself been critical of present Prime Minister Kevin Rudd’s political positions, and placed himself on record just before the November 2007 federal election saying that he ‘dreaded’ the election of a Rudd Labour Government. This may explain his apparent absence. Some critics have denounced him as “a pawn of the right-wing Howard Government” who has adopted “the ideology of the market fundamentalist right”, and as “the front-man for the project of assimilation, a form of cultural genocide where Aborigines are to be forced to become imitation white-fellas.” [[http://blogs.theaustralian.news.com.au/letters/index.php/theaustralian/comments/correct\\_policy\\_balance/](http://blogs.theaustralian.news.com.au/letters/index.php/theaustralian/comments/correct_policy_balance/)] Support for conditional welfare and for some standards of duty and performance, in return for ‘welfare rights’, hardly sounds like the market fundamentalist right, however. To the extent there is a crypto-teleological element in Pearson, and thus a generic dimension to his understanding of human development, it is inevitable that he will be criticized for diminishing the significance of cultural diversity.

Another major aspect of market based Friedman-style economics involves the defence of property rights, given that they are fundamental to the efficient operation of market forces. The most fundamental property rights issue in the Aboriginal context relates to land rights, and to the question of whether at the time of the original European settlement in 1788 all Australian land should be regarded as having been stolen from Aborigines, or whether the Australian landmass was *terra nullius*, available to whomsoever claimed title to it. The High Court’s 1992 Mabo decision ruled that native title to land *is* recognised by the common law of Australia. Given the importance of this property rights issue and the path-dependent consequences that have flowed from it, it is instructive to consider just how should this High Court decision should be seen, from within the perspective of Friedman’s economics. Should the land be regarded as stolen and due for return to its original Aboriginal owners? Friedman’s answer (personal correspondence with Friedman (18/8/1994 and 6/9/1994)) is that if the original European settlement of Australia was regarded as



invasion and conquest, “which does seem sensible”, “then the decision does not go far enough”, and latter day courts have no more right to grant property rights to Aboriginals now than their forebears had to extinguish them. Friedman, however, also accepts that there is a sense in which some costs are sunk, such that it is impossible to go back to the original state of nature and allocate property rights from time zero. While it may well have been an act of theft for the original settlers to allocate themselves property rights over assets which could be regarded as Aboriginal, that mistake was made generations ago – on the side of both the Aboriginals and the first settlers - and “It is not clear that the sins of the fathers should be visited on their great-great grandchildren for the benefit of the great-great grandchildren of the fathers who were despoiled.” Hence Friedman concludes that the Mabo land rights decision “was a very bad decision, neither fish, flesh nor fowl”. For him, it is hard to see how it can be defended on any kind of pure abstract ethical principle, and he doubts that the issue should be decided by a court. “It can only be defended as a practical compromise.” He nonetheless concedes that he had difficulty making up his mind as to the correct view of the Mabo decision, and by way of qualification adds that he did not see his own answer as complete or satisfactory.

Others involved in the contemporary Australian debate are often less equivocal, with some taking the view that the legitimacy of native title is apparent, while others take the view that ‘first here’ is a weak defence of land title claims since it is the European settlers who put the land to effective use and created the Australian economy that exists today.

## **VI. How Sorry is Sorry?**

Needless to say, there is something less than unanimity as to just how culpable the overall Australian population should be for past injustices to Aboriginal people. Not everyone accepts that past policy failures have been quite as bad as is now commonly supposed. Some contend that no apology was ever needed. Others contend that an apology was appropriate, but there is no cause to pay compensation. Still others say that an apology without compensation is worse than useless.

Keith Windschuttle is one historian prominent for disputing the now prevalent view that there is much to apologise for. He finds little evidence to support the ‘stolen generations’ story. In *The Fabrication of Aboriginal History*, he contends that the ‘stolen generation’ story was essentially created by recent historians via attention-seeking misconceptions. According to him, the policy of removal of children was largely about protection or rescue, and the children removed were removed to better circumstances or to undertake useful trade training and apprenticeships. He finds little evidence that they were removed on grounds of Aboriginality, with a view to ending that Aboriginality. His critics object, however, that the official records are unreliable, and merely gave politically opportunistic reasons for removals, rather than the real reasons. Former Aboriginal Affairs Minister Fred Cheney (ABC TV 12/2/08) claims personal experience of this matter in legal processes and is dismissive of the official records as self-serving. He tells of personal experience of a Perth case when children were removed from a family, despite no evidence whatsoever of neglect or other problems, on grounds that there were too many aboriginals in East Perth and “we are moving them on”. Whatever the nuances of Windschuttle’s protestations about official records on the stolen generations, what is clear is that it is hard to believe that official policy in this country has at all times been well disposed towards Aboriginals. Essentially, they have been defeated in a war, dispossessed, marginalised, and ignored. They were explicitly excluded from the national population census until 1967. Many have been left to live in the remote communities – in what some call “living museums” - in what appear to be ever worsening circumstances. The first Aboriginal student to graduate from a university did so in 1965, when Charles Perkins took a BA from the University of Sydney, almost 200 years after the start of European settlement. In these circumstances, knowing just precisely where the line should be drawn between those aboriginal children who were ‘stolen’ and those who were rescued scarcely matters, since there remains a policy of consistent failure to be sorry about. Moreover, the aboriginal people themselves clearly believe their history is one of dispossession and stolen generations, and ANU and Sydney University historian Peter Read, on whom Windschuttle largely blames the stolen generations story, remains adamant that it is Windschuttle who has it wrong. For Read – and for the Australian Government which has now endorsed the *Bringing Them Home* report - the stolen generations story is a much sadder one than Windschuttle appreciates. For Read, (*The Australian* 18/2/08) Windschuttle has provided only a hasty and naive

reading of the records, without apprehending that words such as “children at physical and moral risk” masked action on racial grounds against Aboriginal peoples. Fred Cheney and other critics of the Windschuttle view that the stolen generations story was simply fabricated by recent historians, contend instead that it is naïve reliance on self serving official records which created or fabricated Windschuttle’s case for him.

Windschuttle adds, however, that if - fabricated or not - the stolen generations story is accepted by government and the community as accurate, compensation is due and there is no excuse for being content with a mere apology. Indeed, to apologise without paying compensation is to aggravate the crime. Using the South Australian Bruce Trevorrow case as a guide, Windschuttle estimates that this requires a compensation bill of about \$50 billion. [*The Australian*, February 9-10, 2008 via *The Fabrication of Aboriginal History* Vols 1 and II].

With Windschuttle and others in mind, Aboriginal Leader Tom Calma (Aboriginal and Islander Social Justice Commissioner and Race Discrimination Commissioner) noted with great sadness on ‘sorry day’, that since the release of the *Bringing Them Home* report, many individuals have made their name as ‘Stolen Generations deniers and reuffers’. This vitriol has re-traumatised many of the Stolen Generations (Calma, 2008), and has cast doubts on the integrity of many individuals. In castigating ‘deniers and reuffers’, Tom Calma no doubt had in mind all those who deride ‘the black armband view’ of Australian history, but could scarcely focus more pointedly than on QUT academics Professor Paul Frijters and Tony Beatton, (QUT; *The Australian*, 14 February 2007, p27) who decry Yale historian Ben Kiernan as ‘an embarrassment to academia’ for arguing that a genocide has been committed against Australian Aborigines (see section III above). Frijters and Beatton contend that widespread acceptance that Aboriginal welfare has grown worse is itself suggestive of declining standards of academic criticism, and protest that on matters of Aboriginal welfare academics feel free to make sweeping statements unsupported by evidence, as long as they are in tune with the prevailing mood. They suggest that Aboriginal lifespan has probably doubled from about 30 to 60 years in the last 200 years, and they object that claims about disparities in Aboriginal life expectancy are questionable and reflect bias via those who self-identify as Aboriginals. At least for some, however, the concessions by Aboriginal ‘Protectors’ in the earlier decades of the last century of the

desirability of 'breeding out the colour' themselves confirm an intent of genocide. *Bringing Them Home* and the present national government, not to mention Kiernan, are all more willing than Frijters and Beatton to be sceptical of official records and more willing to lend credence to Aboriginal oral history alongside the official records kept by those who saw fit to 'protect' the aboriginal people. Kiernan critically canvasses Windschuttle's claims and many others, and it is not at all clear that Frijters and Beatton have any grounds for their vitriolic attack on Kiernan in respect of the claim that there has been an Australian genocide.

Whether it is Kiernan who is an embarrassment to academia, as Fritjers & Beatton (QUT) allege, for his acceptance that there was an Australian genocide, or Fritjers & Beatton who are the embarrassment because of their excessive deference to unacceptably naïve ways of knowing where the truth lies, is a question of significance, and certainly one with implications for the concepts of rights and justice. Moreover, we might also ask, as Quiggin (2003) does, whether Windschuttle is an embarrassment, given his predilection to believe that the 'chosen ones' are infallible and just 'know' the truth without reliance on any theory dependent positions, and given his unwillingness to recognize oral history? Indeed, Quiggin ultimately characterizes Windschuttle's version of cultural relativism as 'racist', just as Marcia Langton (2007b) objects - in what could be read as a dismissal of Fritjers & Beatton - to the morally righteous who use vanity, not evidence-based policy, and who 'dance on our graves'. In these circumstances, just what constitutes scientific method or epistemological requirement is itself a serious question.

While the federal government remains opposed to the payment of compensation, the Tasmanian government acted on 23 January 2008 to right (some?) past injustices (ABC 23/1/08) and pay \$5 million compensation to the 106 Aboriginal Tasmanians who were part of the Stolen Generations. This Tasmanian scheme provides up to \$58,000 for people who were removed from their families, and \$5,000 for the children of members of the Stolen Generations. The Tasmanian report observed that white settlers there once hunted Aboriginal people for sport. Tasmanian Premier Paul Lennon urged other government's to follow Tasmania's lead. Acting Queensland Premier Paul Lucas ruled out the idea that Queensland would pay compensation,

however, despite the additional stolen wages issues which exists in Queensland but not Tasmania.

All in all, the prospect of reconciliation has been promoted by the symbolic 2008 apology, but some disgruntled stolen generations representatives have nonetheless made clear that they resent the Rudd government's present policy of non-compensation. For them, action to restore equity to Aboriginal health and education standards was a government obligation anyway, independently of the stolen generation issue, and they therefore still want compensation. Dr Lowitja O'Donoghue (2008) - a stolen generations victim herself as a toddler and inaugural Aboriginal and Torres Strait Island Commission Chairperson – supported this view in her 'sorry day' statement to the effect that redressing past neglect of statutory responsibilities to provide social infrastructure "ought not to be part of the compensation".

## **VII. Policy issues past and present:**

The list of policy issues to come under scrutiny includes those related to 'stolen generations', 'stolen wages', native title, passive (unconditional) welfare, institutional structures, separatism and the 'living museums' of isolated remote settlements, the administration of justice, the breakdown of traditional social norms, loss of identity and purpose, the work-for-the-dole / CDEP issue, and policies towards alcoholism and domestic violence.

The CDEP (Community Development Employment Program) has come under recent scrutiny as a work-for-the-dole scheme which does little more than provide pretend jobs for a few hours a day. In so doing, critics object that its more important effect is that it sets up perverse incentives to stay within the welfare system and simply destroys the incentive to get a real job. Critics note that Aboriginals fill only 44% of paid positions in remote Australia (*Weekend Australian*, 4-5 Aug 2007), and that some Aboriginals have stayed on CDEP for twenty years, indicating its ineffectiveness. On the related, but different, issue of racial discrimination in the labour force, it is noteworthy that Gary Becker defines wage discrimination on racial or similar grounds as being evidenced when entrepreneurs willingly sacrifice some profit to avoid hiring a disfavoured group. In the Aboriginal case, however, statutory

law was used to repress aboriginal wages in earlier years, to the advantage (not disadvantage) of those discriminating against aborigines. A relevant question therefore is whether earlier wage discrimination is better regarded as a form of slavery, rather than Becker-style discrimination.

In matters of schooling, problems are quite evident. Helen Hughes (*The Australian*, March 2008) notes that for the past two years the NT education department has reported 90% literacy rates for year 3 and 5 non-indigenous children but only 60% for indigenous children in Darwin and Alice Springs, and a lowly 20% for indigenous children in remote communities. The absence of indigenous teachers is another indicator of education failure in NT, where 28% of the population is indigenous, but only 3.6% of the registered teachers. Hughes contends that many CDEP teacher-aides would not themselves pass the grade 7 literacy test, and argues that the real cost of remedying past policy failures is more like \$500m to \$1b, not the extra \$100m of support recently announced by Deputy Prime Minister Julia Gillard.

In relation to matters of alcoholism and addiction, policy problems relate both to access and to the administration of the justice system, given the many alcohol related crimes. Pearson (*The Australian* March 1-2 2008) opposes the notion that alcoholism should be treated as a symptom. He adopts a Friedmanite acceptance of the crucial role of individual responsibility, and accepts that “the ideas and values we hold about freedom and free will” are the most important determinants of the spread of addiction. He sees little prospect of a solution to social breakdown in Aboriginal communities if individuals do not take responsibility for their own decisions, including those that have led to addiction, whatever the circumstances. In this, his view is in keeping with the rational choice models associated with Gary Becker and Chicago School economics. Nonetheless he recognizes the path-dependence of Aboriginal circumstances – to which he tacitly considers Windschuttle to be insufficiently responsive - and consequently now sees a need for positive interventions to create social opportunities.

The policy of isolating aborigines in homeland communities has been an abject failure (Helen Hughes, 2007: 21). It is a policy which reflects ‘excessive cultural sensitivity’ or the methodological premise of value neutrality. The practical upshot of this value

relativism is that many Australians – both Indigenous and non-Indigenous – now protest that one set of values they no longer wish to be neutral towards is the set now entrenched in many remote communities. Value relativism has been abandoned, in acceptance that the ultimate results of exceptionalist policies in these ‘remote living museums’ are murders and suicides. The absence of policing and law in remote communities permits high levels of child abuse and domestic violence, while small elites of ‘big men’, with strong vested interests against reform, monopolise the machinery of separate governance created for Aborigines and Torres Strait islanders (Hughes, *The Australian* 23/9/05; CIS 2005). From a Friedman perspective it is the accumulated impact of inappropriate past government policies, not ethnicity, that underpins the shocking conditions in Aboriginal communities, but while Friedman was evidently right about welfare handouts eroding ‘the social fabric’, there is nonetheless another level on which Friedman and Chicago School economics contributed to problems by fostering the value relativism on which was built the ‘reverse racism’ associated with the failed ‘culturally sensitive’ isolationist policy.

*Traditional law* also helped retard development, however, alongside any negative white-man influence. Traditional communal land ownership patterns themselves militate against commercial loans and private title to housing, and are partly responsible for past failures to prosper (as in PNG), quite apart from whatever blame can properly be laid at the door of past government policies.

### **VIII Recent Controversies: The Past as Present**

1. Bruce Trevorrow, 51, was the first of the Stolen Generations to succeed in receiving compensation from a state government. In December 1957, when 13 months old, Trevorrow was taken by his parents to hospital with gastroenteritis, where he was separated from them. Six months later – by which time he had already been fostered out to white parents - his mother was told she couldn’t see him, but that he was making good progress. Trevorrow was brought up believing he was white. When he was nine he was reunited with his real parents, and was shocked to discover they were Aboriginal. On August 2, 2007, after seven years of court battles, Trevorrow was awarded \$525,000 compensation in a South Australian court, in recognition of what the court accepted was severe trauma occasioned by his forced separation and

‘wrongful imprisonment’. On January 31, 2008 he was awarded a further \$250,000 in interest for the time taken for the case to succeed. Nonetheless, soon after – just two weeks after the historic ‘sorry day’ apology - the South Australian (SA) Government challenged the decision (Pia Akerman and Jeremy Roberts, February 29, 2008). Thus the legal precedent created by the nation's first compensation payout to a Stolen Generations member is now in limbo, and this SA challenge may delay for years a statutory compensation fund for Stolen Generations victims.

2. In 2006, a 10 year old mentally impaired girl was gang raped at Aurukun in North Queensland, but the perpetrators escaped a custodial sentence, despite guilty pleas. The Cairns prosecutor who described the nine perpetrators as ‘naughty’ but not deserving of a custodial sentence resigned amidst public outrage, and the Queensland Government subsequently appealed against the non-custodial sentence. [<http://www.theaustralian.news.com.au/story/0,25197,22910379-601,00.html>]

Aboriginal academic Marcia Langton (2007) added that it would be a fair bet that each of the adults who pleaded guilty to the child rape was on a government social security or CDEP payment – thereby inviting the conclusion that dysfunctional behaviour is financially supported by government funding. To Langton, the nub of the problem in remote communities is that government itself funds dysfunctional behaviour, and there is no connection between what a person or community does and the income they receive.

3. As recently as March 2008, an Alice Springs backpacking hostel asked 16 Aboriginal women and children to leave (11 March 2008, ABC), apparently because other (overseas) guests complained that they were frightened of them. The hostel now faces a legal suit. Its reaction to public commentary is to say that it caters for overseas guests.

4. Trachoma is an eye disease that causes blindness. It is a disease of poverty and social disadvantage. It has been eliminated from many countries, and Australia is in fact the only developed country still reporting the disease. It was eliminated from Australia’s white population about 100 years ago, but still exists in remote Aboriginal communities in proportions exceeded only in a few of the world’s poorest countries. Although it is relatively easy and relatively cheap to eliminate, Dr Hugh Taylor, who



was part of the Fred Hollows ophthalmology team which visited 465 Aboriginal communities in the 1970s, reports being shocked to discover that on revisiting some of those communities 20 and 30 years later, trachoma still existed at largely unchanged levels. [[http://news.sbs.com.au/livingblack/tackling\\_trachoma\\_543379](http://news.sbs.com.au/livingblack/tackling_trachoma_543379)] Dr Taylor points out that the African state of Niger is one of the world's poorest countries but has nonetheless managed to treat millions of its citizens in the last few years, leaving the Australian failure to treat some 60,000 Indigenous citizens as utterly inexcusable.

## **IX. Solutions:**

Federally, efforts to find solutions focus on the Federal emergency legislation in the Northern Territory, which the Howard Government introduced in August 2007 and which the Rudd Government has continued with some modifications. This was a vote of no confidence in the NT government (and in federal-state financial relations), following the failure of NT governments to deliver results in consequence of commonwealth funding over several decades. A special project by the Council of Australian Governments at Wadeye revealed how NT governments had failed to use commonwealth funds for their intended purposes, and concluded "To those most in need, the least is provided." (Marcia Langton, *The Australian* Jan 26-27 2008, extracted from Langton, 2008). The Howard Government of 1996-2007 was a conservative government eager to celebrate the importance of individual responsibility and competitive markets, and its 2007 Northern Territory Emergency Legislation did not mask an abandonment of those core commitments. Its legislation seeks to repair the damage caused by the well intentioned, but counter-productive, welfare state interventions of the past 40 years. Despite its radical paternalism that legislation may still be seen as an endorsement of Mill's view that individual liberty is the chief desideratum, and that government has the right to curb individual freedom only to protect the freedom of others. In the face of the evidence of domestic violence and child abuse in the remote communities, this is exactly what the Howard Government felt compelled to do. The intellectual root of this position is also accepted by the Rudd Government, and by Pearson and other Aboriginal leaders, who see the freedoms of children and many others as seriously undermined by present

circumstances in isolated townships.

In Queensland, the present 'solution' focuses on welfare trials soon to start in North Queensland. Pearson has worked long and hard to bring this about, and hailed the commitment of \$48m to a program aimed at wresting four Cape York communities from passive welfare as "the most significant reform in welfare since the Second World War" (*The Australian* 19/7/07). A four year trial will be run in which the 3,000 residents of the four communities will have to accept responsibility for the healthy upbringing of their children, proper maintenance of their homes, and work to get themselves off 'sit down payments'. In short, welfare payments will become conditional, and failure to satisfy newly stipulated performance obligations may result in having a significant portion of those welfare payments withheld from individuals, and managed for them by a responsible family or community member. The Queensland Government will introduce a Family Responsibilities Commission (FRC) on 1 July, 2008, to work with individuals, families and communities to deal with issues of alcohol, drugs, violence, truancy, neglect, gambling, and financial waste. The goal is for the FRC to be pro-active and help rebuild local community norms, and under this plan FRC intervention will occur if parents fail to send their children to school or fail to protect them from harm and neglect, or in the housing context if tenants fail to comply with lease conditions. These reforms reflect Noel Pearson's neo-liberal plan for the future via his Cape York Institute's *From Hand Out to Hand Up*. His plan for progress into the future involves (a) making all welfare payments conditional (b) removing perverse welfare incentives against employment (c) encouraging residents to buy their homes and assume responsibility for them (d) attracting businesses by 99 year leases, and (e) redefining the idea of community in acceptance of the fact that there will never be sufficient employment in remote communities, so that members will have to rotate in and out (rather like the repatriation of incomes from Samoans in New Zealand etc). If life is not to be the Hobbesian "nasty, poor, solitary, brutish and short", major reforms are urgently needed. Queensland Premier Anna Bligh has indicated that if the FRC trial is successful the approach will be used more widely.

A third solution relates to finding the path to best achieve growth in 'the failed state in our midst'. Anthropologist Peter Sutton [2007; *The Australian*, 1/12/07 p6] exposed

30 years of failed indigenous policy in a 2001 paper called “the Politics of Suffering”. In supporting the NT emergency intervention as necessary and overdue, and endorses the recognition that the most important issue in Aboriginal affairs is protection of the vulnerable. He likens the task in front of the Rudd Government to nothing less than a post-war reconstruction. Resource limitations will make a stage-by-stage process all but inevitable, and viewed as a plan for Third World development, which is what this really is, this stage-by-stage notion is consistent with Dani Rodrik’s (2005; 2007) influential approach to development economics, in which growth diagnostics start by first identifying the most binding constraint in a given case. Once that has been dealt with, resources can be focused on the next most binding constraint. Sensible stages in the steps moving forward for what Marcia Langton (2007b) calls the ‘failed state in our midst’ may thus be identified as:

- (a) protection of the innocent
- (b) restoration of acceptable standards of governance, and individual responsibility, in remote communities
- (c) ending passive welfare and associated passivity
- (d) developing an understanding of addiction and choice
- (e) expansion of human capabilities, via improved results in education and health (which probably cannot be done in isolation from employment creation and increased need for self reliance)
- (f) encouragement of private sector employment creation programs, especially in mining and tourist regions
- (g) expansion of social capital – both within and between communities. This includes continuing education of the broader Australian public and acceptance of the rotation of people in and out of isolated communities for work purposes.
- (h) appreciation of what forms of intervention remain warranted and helpful and which forms have to go. Distortions in present markets need to be identified.
- (i) fostering of employment creation programs, training support, and other self reliance initiatives regarding home ownership and the like.
- (j) social integration. This should include full recognition of property rights, including those linked to the ‘stolen wages’ debate.

Pearson accepts that both individual agency and structural issues are key factors in explaining Aboriginal poverty, and that their relative importance will vary from place to place. This conforms with the Stiglitz and Rodrik stance on development economics that ‘one size does not fit all’.

A fourth dimension of a search for solutions derives from Australia’s current mining boom and its potential for Aboriginal development. Marcia Langton (2007b) notes that in the midst of much Indigenous misery the biggest mining boom in world history is currently taking place in remote Australia. This boom, largely a consequence of the extraordinary economic growth taking place in China and India, has left the Western Australian and Federal governments awash with royalties and the benefits of economic growth. Langton’s complaint is that wealth is extracted, but the local people are left destitute. Taxes and royalties accrue to the Western Australian government and the boom makes people in Perth rich, while little goes back into the Pilbara or the Kimberley: “It is a classic case of underdevelopment and colonisation. It is like Africa in the 19th century.” In this context Peter Botsman (2008; Brisbane Institute, December 2007) notes that in a place like the Pilbara or the Kimberley where the mining boom has brought many economic opportunities, there is absolutely no excuse for the low levels of participation of Aboriginal people in the mining and ancillary industries. In the Pilbara 16 billion tonnes of ore per annum are extracted from Aboriginal lands, yet only a few hundred Aboriginal people are employed. Botsman therefore looks to the private sector for job creation, and claims that his group helped train 20 Indigenous people (for example as Heavy Plant Operators), 19 of whom graduated and were offered full time employment. A push has likewise begun to open up the country’s banks to employment for Aborigines (*Weekend Australian* 17-18 February 2007).

A fifth aspect of the search for solutions is to remember that Aboriginal people do have a choice: they can stay in remote communities and live a (pseudo) traditional lifestyle if they prefer - but if increased income, employment and modernisation is a serious goal, then there is little future in remote communities devoid of an economic base. The possibility that certain remote communities have to be recognized as non-sustainable simply has to be recognized. A US solution is to create casinos on Indian lands, and an equivalent Australian innovation could be to establish euthanasia

centres, or surrogacy centres in the Northern Territory and other remote communities – but that is a peculiar, and probably unacceptable, way to make one very particular group of people subsidise Aboriginal aspirations. There is little likelihood, however, of future government willingness to underwrite a preference for a traditional lifestyle with taxpayer funds.

Sixthly, the necessary political seems finally to be present. Prime Minister Kevin Rudd and Opposition Leader Brendan Nelson will co-chair a bipartisan policy commission to set about improving aboriginal living conditions. On 20 March 2008 they announced a pledge to close the 17-year life expectancy gap between Indigenous and non-Indigenous Australians by 2030. The Government also undertook to ensure that Indigenous Australians will have access to the same quality health services as the rest of the population within a decade. Housing is seen as a priority. The resources are available, especially while large federal budget surpluses are being recorded. The test will be in the execution of the new welfare reforms.

## **X. CONCLUSIONS:**

(i) As the Productivity Commission reports on *Overcoming Indigenous Disadvantage* make clear, the living standards of Australia's Aboriginal people are unsatisfactory, lagging well behind those of mainstream Australians.

(ii) A recent report into Indigenous well-being showed that countries like New Zealand, America and Canada out-rated Australia in improvements to Aboriginal outcomes (in health, education and economics) between 1990 and 2000 (ABC 27/12/07). Australia was highlighted as the only country on the list to have widened the gap between its Indigenous and non-Indigenous groups.

(iii) The Australian Government has recently delivered an historic apology to the Aboriginal people for past wrongs and suffering, but has remained firm that this implies no commitment to payment of compensation. The Canadian Government on the other hand is set to pay more than \$1 billion worth of compensation to members of that country's indigenous population.

(iv) Significant issues which could well have been resolved by now – including the elimination of trachoma and the stolen wages issue in Queensland – have not been resolved.

(v) The ‘stolen generations’ issue has been addressed by the new Rudd Government, but remains contentious. Historians continue to debate the exact extent to which Aboriginal children were ‘stolen’ in earlier generations, and the extent to which it is appropriate to talk of an Australian genocide. Compensation has not been offered. Whatever the outcome of the ‘history wars’, normal principles of equity imply the need for some form of compensation insofar as *any* victims of stolen generation policies can be identified. To some, the present policy of apology without compensation for admitted injustices means that the Aboriginal population is still being abused.

(vi) In the context of past Aboriginal welfare policy, Friedman would easily find much to vindicate his attacks on paternalistic intervention. In seeking liberation from ‘the poison of welfare dependence’, a growing list of Aboriginal leaders stress that in their efforts to strengthen the position of the underdog, they now stand foursquare behind Friedman.

(vii) *Conditional* welfare payments will be a cornerstone of welfare reforms now being introduced, the primary objective of which is social progress rather than individual freedom. There is now increasing acceptance of a path-dependence running from the denial of rights to aboriginal people throughout much of the twentieth century (including rights over movement, employment and education), to the apparent injustices still vexing the issues of stolen wages and stolen generations, to the urgent present need to develop human capabilities (including in basic health and education and in community governance), especially in the remote communities. Making welfare payments conditional upon progress in developing those capabilities is now seen as the hope of the future.

(viii) Aboriginal leader Noel Pearson emphatically blames past passive welfare policies for many ills, precisely in conformity with Friedman’s position. When everything is provided by someone else, and money is given for free, and you then

add alcohol and drugs to the mix – and do it in a society given to ‘demand sharing’ within a community where no particular standards are expected in return - the result is social chaos. Hence Pearson’s call for *conditional* welfare in place of earlier unconditional welfare, in order to provide a link between personal behaviour and welfare income, and in order to rebuild the social fabric of Aboriginal society. Aboriginal leaders Noel Pearson (*The Australian* 15/12/07 p24) and Marcia Langton (2008) are emphatic that “remote indigenous people are victims of dehumanising government policies”.

(ix) Nonetheless it is unlikely that renewed and robust Aboriginal communities can be raised from present circumstances just by the sort of laissez-faire policy commonly associated with Friedman. Policies which induced departures from individual responsibility may explain the generation of past problems, but future progress now requires positive interventions to build the human capabilities which are themselves a prerequisite to effective choice and meaningful equality of opportunity. Pearson and other Aboriginal leaders therefore see Sen’s capability theory as an important supplement to the Friedman critique of passive welfare policies. Hence the progress now being made towards the introduction of significant capability-building welfare reforms in North Queensland, the Northern Territory and elsewhere. Without investment in the development of human capabilities, and action to curb the destructiveness of widespread alcoholism and domestic violence, neither individual responsibility nor individual freedom is likely to be meaningfully re-established.

(x) There is no doubt that there is now widespread community desire to see effective action to improve Aboriginal living standards. Radical new policy approaches remain somewhat controversial, but are nonetheless well supported as alternatives to the failed policies of the past. Intellectual roots for these paternalistic emergency interventions can be found in the theories of Friedman, J.S. Mill, Stiglitz and Amartya Sen.

(xi) The political will to deal with the relevant issues now exists. Resources are available. What is needed is skill in policy execution to see if significant targets - including halving the 17 year gap in life expectancy or significantly lifting education standards - can be achieved by 2030.

(xii) Noel Pearson (*The Australian*, 25-26 Aug 2007) notes that Indigenous people occupied the land for up to 60,000 years, but have not fared well in the last 200 years. The 1967 referendum removed discrimination from the original Australian constitution, but by itself did nothing to create the positive freedoms needed before Aboriginal people could assert meaningful equality of opportunity. In conformity with Sen's perspective, Pearson emphatically endorses the notion that, to this day, positive interventions remain needed to create the desired equality of opportunity. Australia may have come full circle in terms of the implementation of paternalistic policy, but the paternalistic policies of 2008 are seen as the experimental requirements of an emergency, and as positive discrimination designed to 'close the gap'.



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