

Adam Smith and closing the gap

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The progressive centre and left are wrong in their approach to indigenous affairs

The federal Labor government's headline policy for indigenous Australia is called Closing the Gap. The socio-economic position of the 3 per cent of Australians who are native is so dramatically out of step with the 97 per cent, that there is little wonder that Closing the Gap has become the clarion call of national policy.

Across all indicators, indigenous Australians are disproportionately represented in negative ways, other than their over-representation in the National Rugby League and the Australian Football League.

Thinking liberals may raise their eyebrows at the notion of Closing the Gap, conjuring the idea of a massive governmental undertaking to effect social change. But the former conservative government's policy of Overcoming Disadvantage was, in essence, the same.

Let me suggest that the thinking liberal's discomfort is not with the intent, but the means by which the intention is sought to be achieved. Australians of most hues -- conservative, liberal and socialist -- want indigenous Australians to rise out of their predicaments and to take a happier place in the nation. Perhaps one day in return the natives might choose to reduce their proficiency in football so that the disparity suffered by the rest of the country is ameliorated.

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

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

It is time to make plain something which Australian liberals have been too long reticent to declare: there is no closing any gap without Adam Smith. This bears repeating so that progressive liberals stop putting indigenous Australian policy into the "special case" basket, as if the insights of liberalism apply to all cases except the predicament of native Australians. The impact of liberalism on indigenous Australian policy is growing. Two contributions have been salient.

First, the decision to take the predicament of indigenous Australians seriously and to bring to bear the intellectual weight of the Centre for Independent Studies in a policy zone that had hitherto been owned by progressives, was crucial. Second, the contribution of *The Australian* has matched the intellectual ballast provided by the CIS. When this country comes to look back on the indigenous reform story of the early 21st century, the role of the CIS and *The Australian* will be plain.

Let me now highlight three key articles of liberal philosophy that cannot be gainsaid if we are serious about our intent to close the gap on indigenous disadvantage: self interest, choice and private property.

Self-interest is the engine of development. Closing the gap of native disadvantage requires development. The engine of self-interest is therefore the means by which native disadvantage in Australia can be achieved. The problem is that self-interest is the last thing that comes to mind when Australian leaders, policy-makers and citizens come to consider indigenous policy. But not only is self-interest relevant to any serious intention to close the gap on disadvantage, it is absolutely central. The great western embarrassment about self-interest on ethical or moral grounds not only dishonours the perfectly plain explanation given by Adam Smith in *The Wealth of Nations* -- self-interest is not a moral position -- it also results in Westerners failing to understand that the means by which they secure their advantage, and thereby provide amenity to others, is through the pursuit of self-interest. Moral confusion and then vanity means Westerners end up denying the power of self-interest for the benefit of the disadvantaged.

The second article of liberalism which is nearly absent from indigenous policy is choice. The power of choice is the concomitant to self interest. Both take the individual as the principal actor in development. In our Cape York Reform Agenda our aim is for individuals to have "the capabilities to choose lives they have reason to value". We take this formulation from Nobel Laureate Amartya Sen. Our reform agenda is founded on the liberal insight that choice is a power. It is not just that the

freedom that choice implies is a good thing in itself, it is that choice is a self-propelling power for progress.

The third of these liberal articles, which is also absent from the indigenous policy paradigm, is private property. Traditional societies in Australia, as the world over with hunter gatherers, are communal. Traditional land tenure is communal.

Indigenous communal property stands in contradiction to the imperatives of development.

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

In my view, it is not that indigenous Australians do not possess the self-interest that enables them to be individuals who are capable of pursuing their own development. The principal barrier to development is communal land ownership and the extent to which private property is excluded. Private property must be front and centre if we are to be serious about closing the gap on indigenous disadvantage.

The problem when governments articulate a headline policy such as closing the gap is that while the goal may be laudable for the nation to adopt, governments then start thinking that the leviathan needs to mobilise to achieve the stated intent.

It is not just a matter of unintended consequences of governmental action; it is the basic misunderstanding about who the main actor in development must be.

The main actor in development is the individual. The main actor in the development story is not the government.

The failure to understand who is the principal actor is the starting place for governments not only failing to support development, but thwarting and undermining the very development they claim to be seeking.

Australians harbour this general and vague belief that social justice is some kind of forklift that can lift entire populations up the stairs of social and economic progress, without each individual within those populations having to climb the stairs with their own legs. The truth is that there is no social progress without individual progress. Social progress is the sum of a multitude of individual progress. The challenge: to separate the domain of communalism from the domain of liberalism in indigenous Australian life. We must separate the domain of communalism in our heritage, cultures, languages and identities from the domain of liberalism in our lives.

The demands of the market economy conform with the article of liberalism, and are indeed antithetical to communalism.

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

This is an edited transcript of a speech delivered to the CIS Consilium 2010. Noel Pearson is director of the Cape York Institute for Policy and Leadership.