

OCEANIA DEVELOPMENT NETWORK

Pacific Conference on Growth and Development

“BUILDING BETTER PACIFIC ECONOMIES”

The ‘Gammon Economy’ of Cape York: Lessons for Nation Building in Pacific Island Countries?

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September 2005

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Abstract

The Aboriginal leader Noel Pearson describes how most of the indigenous communities on the Cape York Peninsula of Far North Queensland are reliant on what he calls the “gammon economy”. He argues that welfare policies and royalties have produced an artificial economy in Aboriginal communities which contrast with the real economy of both traditional subsistence and the “Western” market economy. The gammon economy is characterised by welfare dependence and a “culture of defeat”.

There appears to be significant literature to support the contention that welfare and payments in their current forms have produced social dysfunction by eroding indigenous social capital, traditional governance and encouraging economic dependence on government. In addition community governance is very weak with non-transparent decision making and corruption endemic. Despite considerable Government investment and efforts over the years, income levels are among the lowest in the country and the standard of living in the communities has been actually falling.

There are some interesting similarities between what is happening in these Cape York communities in terms of governance and economic development which may be compared with the experiences and development approaches thus far undertaken in a number of transition and developing economies. In particular the roles and functions of institutions are of particular importance. This paper seeks to describe the experiences of Cape York and then highlight the important lessons learned with a particular focus on governance.

Introduction

The economic, social and health indicators for the indigenous communities north of Cairns on the Cape York Peninsula are well documented. Life expectancy for aboriginal people is only about 60 years and going backwards. Prison rates for indigenous people are far higher than comparable rates for white Australians. In health the rates for kidney and liver failures and heart disease are far higher than for the average Australian. Real unemployment rates are far more than 50% in most communities. The statistics are overwhelmingly bad and undeniably worsening. Population growth rates for these communities are well above mainstream Australia. Despite the appalling statistics the Cape York indigenous communities have been remarkably enduring but their long term sustainability is problematic. Developing a sustainable economy on Cape York faces many challenges arising from a number of factors, not the least being, remoteness and a population characterised by poor health, housing, vocational skills, and education. Currently very limited economy activity exists around mining, pastoral and service industries. Cape York faces a fundamental development problem, and the answer has to be all encompassing. However, many communities around the world have achieved economic sustainability and social cohesion despite surviving in what are sometimes marginal economic and remote circumstances.

This paper argues that poor governance, a lack of economic development and resulting employment, coupled with a welfare system designed for a developed economy has resulted in the current crisis facing indigenous communities in Cape York. Based on the literature on what are the key drivers of economic development and how the current welfare system affects the incentives individuals face, three major areas of reform are necessary to reach the goal of establishing viable communities on Cape York. These are a significant increase in investment in physical, human and social capital and greater community empowerment; a reversal or at least ameliorate the perverse incentives that many individuals currently face; and to improve community governance.

Current State of the Cape

The traditional economy on Cape York was characterised by the need to subsist and “if you did not hunt and gather you starved” (Pearson, N. 1999:32). However economic life for every indigenous community on the Cape is now almost entirely dependent on transfer payments, primarily in the form of welfare. The work of a number of sociologists discusses the notion of a “culture of defeat” resulting from long term dependence on welfare payments in particular (Mead, L. 2000:44.). This might be said of transfer payments in general. Therefore this paper has at its focus what Noel Pearson calls a “gammon economy” and he explains that “common to the real economy of traditional society and the real economy of the market is the demand for economic and social reciprocity. This reciprocity is expressed through work, initiative, struggle, enterprise, contribution, effort. The key problem with welfare is that it inherently does not demand reciprocity” (Pearson, N. 1999:32.). Pearson in particular is concerned about the way in which welfare is delivered means that the state will be reluctant to transfer responsibility to the community for the resources provided. The process is one where, most importantly, it creates “a mentality that

accepts that the capable state should serve programs to incapable, irresponsible and powerless people on the ground” (Pearson, N. 1999:8.). The gammon economy is therefore a “false economy”.

Clearly the problem of developing a “real economy” with an effective governance structure is critical. It has also been argued that at least some of the problem has arisen not only as the result of the “passive welfare” policies of the past 30 years but “in the complex conjunction between such policies and core pre-existing Aboriginal values and practices.” (Martin, D.F. 2001). David Martin, an Anthropologist with considerable experience in these communities, argues that particular Aboriginal values and practices, especially those relating to social relations, have impacted upon the nature of the historical interaction between Aboriginal and non-Aboriginal societies. However, at the same time these values have also been changed by the advent of the “welfare-based cash economy”, and “access to resources is no longer mediated through a system of personalised relationships within the Aboriginal realm, but is predicated upon a person’s rights as a citizen of the wider state, as defined by their particular status or category. Aboriginal people are thus increasingly able to assert their independence from others within their significant social networks—men from responsibilities towards their domestic units, wives from their spouses and children, younger men from older people—through the means which cash offers.” (Martin, D.F. 2001:8.). The introduction of welfare payments for the first time enabled the individual in these communities to independently choose how they should spend their money, and this disrupted the traditional patterns of mutual obligation and sharing (Martin, D.F. 1995:10). This in turn eroded the traditional social networks.

There seems to be evidence that this “poisonous” mixture of traditional culture and passive welfare has contributed to the present dysfunctional communities. In addition the populations of many communities comprise disparate Aboriginal groups which have originally been brought together during mission times. These settlement situations directly confronted such widely reported Aboriginal values as the strong emphasis on immediate kin group loyalties and now encourage a preference for direct confrontation, and often violence, to redress perceived wrongs. Furthermore, indigenous organisations such as community councils have lacked the requisite legitimacy, and Aboriginal authority structures have become further contested (Martin, D.F. 1995:10).

Early government legislation applicable to the indigenous community included a system of government-controlled reserves onto which Aboriginal people would be gathered. As a result large numbers of Aboriginal people were transferred to reserves or missions which often bore no relationship to their traditional country and were often in a different region. It was also common for Aboriginal people to be forcibly removed a number of times from reserve to reserve. This policy continued in isolated instances until even the 1980s. The policy ignored the special significance of land in the Aboriginal worldview as a “spiritual landscape” on which Aboriginal people have written their history and culture. Legislation did not recognise the social and religious relationships with land, which underpinned Aboriginal societies and their continued viability (Qld Department of Natural Resources and Mines. 2004:5). More recently this was to have the effect of sometimes bitterly dividing communities by creating conflicts between traditional owners and those who may have been born in the community but whose family had had been brought from another area. All of the

factors highlighted above mean there is a critical need for better governance structures in these communities which transfer the responsibility from the state to the community themselves in order to establish viable economies and social cohesion.

Institutions, Social Capital and Governance

Governance can broadly be defined as: “the *processes, structures and institutions* (formal and informal) through which a group, community or society makes decisions, distributes and exercises authority and power, determines strategic goals, organises corporate, group and individual behaviour, develops rules and assigns responsibility” (World Bank. 1997:6.). Governance enables the representation of the welfare, rights and interests of constituents, the creation and enforcement of policies and laws, the administration and delivery of programs and services, the management of natural, social and cultural resources, and negotiation with governments and other groups. Here we define governance to mean how an Indigenous community is run and the rules that apply in its day-to-day operation, by reference to the processes, traditions and cultural precepts which underpin the exercise of authority, methods of decision-making and established mechanisms through which individuals and families have their say.

The importance of ensuring the right institutions, incentives and governance in the development process has considerable empirical support. For example, Knack and Keefer draw on various indices of institutional quality compiled by investment agencies and human rights groups to show the importance of formal and informal institutions on growth. (Knack, S and Keefer, P. 1996:1137-1150). Rodrik highlights five key institutions as being important factors to development - property rights, regulatory institutions, institutions for macroeconomic stability, social insurance, and conflict management that underpin economic activity. (Rodrick, D. 1996:9-14.). The World Bank also concludes that on average, aid spurs growth and poverty reduction in countries with better institutions and policies, but is squandered in poor policy and institutional environments. (World Bank. 1997.).

In recent years political scientists have begun referring to society’s confidence in its institutions as the stock of ‘social capital’. This aspect of social capital was given prominence as a result of Robert Putnam’s research on regional government in Italy. (Putnam, R. 1993.). The World Bank assesses social capital by ‘the informal rules, norms and long-term relationships which can explain differences in the nature and intensity of popular collective activity in different communities or nations.’ (World Bank. 1997:114.). Social capital is therefore determined by two sets of issues; on the one hand the norms, values and traditions which promote cooperation and on the other hand the networks, relationships and organisations that bring people together to try and solve common problems. In this paper the broadest view of social capital is adopted which includes the social and political environment that shapes social structure and enables norms to develop. Social capital is now sometimes regarded as important as human capital and natural resources; and, ‘despite limitations of proxy indicators for social capital, the patterns of results which emerge point to the importance of cross-cutting ties across social groups for engendering co-operation, trust and social and economic well being and better government performance.’ (Narayan, D. 1999:23).

Applying the concept of social capital to the regional and national level has raised new issues. In particular it raised the question of whether social capital necessarily has to result in outcomes that are mutually beneficial to all in the region or the nation – that is; must social capital result in common-good outcomes? Recent research tries to address this by distinguishing between ‘bonding’ and ‘bridging’ social capital (Woolcock, M. and Narayan, D. 2000:227). Bonding social capital refers to relations among relatively homogenous groups (such as an ethnic, religious or socioeconomic group), and it strengthens the social ties within the particular group. Bridging social capital, on the other hand, refers to relations between heterogeneous groups, and it strengthens ties across such groups. Examples of bridging social capital include the civil rights movement and ecumenical religious organisations.

A number of studies highlight the importance of bridging social capital in societies characterised by considerable ethnic diversity. This is because trust limited within an ethnic group may promote norms of social interaction that are inward looking and less oriented to trust and co-operation at a broader community level (Knack, S. 1999). Bates, in *Ethnicity, Capital Formation and Conflict*, studies how ethnic fragmentation in Africa affects political institutions, the potential for political violence, economic outcomes, and resistance to political reform (Bates, R. 1999:6). He finds that ‘ethnicity is double edged. On the one hand, ethnic groups promote the forces of modernization; phrased more fashionably, they constitute a form of social capital ... On the other hand, ethnic groups organize politically; occasionally they engage in acts of violence, destroying wealth and discouraging the formation of capital. Ethnic groups can thus both generate benefits and inflict costs on societies.’ (Bates, R. 1999:8). Varshney looked at the impact of ethnic bonding, social capital and communal violence in India (Varshney, A. 2001:362-98). He argued that more distinction needed to be made between social capital formation within ethnic groups (i.e. ‘bonding’ social capital) and the form of cross-cutting forms of civic engagement that takes place between groups (‘bridging’ social capital), and that only the latter is an agent of ethnic peace. According to Varshney, the different effects of the two forms of social capital can explain why some Indian cities have been able maintain Hindu-Muslim peace, whereas other cities suffer endemic violence (Varshney, A. 2001:396). Finally a number of studies indicate that a particularly strong focus on group interests can encourage ‘rent seeking’ behaviour by the group to the disadvantage of the wider community. This may become particularly problematic in a predominantly “rent” economy. How significant then is this distinction between bonding and bridging social capital for the indigenous communities on Cape York?

Indigenous Institutions, Social Capital and Governance

The indigenous communities on Cape York are essentially “post-colonial creations”, which comprise Aboriginal families drawn from traditional groupings across Cape York as well as families whose ancestors were forcibly removed from distant places. The concept of community in these circumstances is particularly problematic as the Department of Aboriginal and Torres Strait Islander Policy (DATSIP) in its Green Paper ‘Making Choices About Community Governance’ concludes that ‘the creation of these permanent settlements represented a significant challenge to the social, economic and political patterns of people who had lived in dispersed or even nomadic circumstances prior to colonisation’. (DATSIP. 2003.). While most communities began as missions run by church authorities, the State began assuming total control

over community members' lives at the end of the 19th century. In the 1970s and 1980s, following pressure to reform these arrangements, the government established Aboriginal Councils under the *Local Government (Aboriginal Lands) Act 1978 (Qld)* (Aurukun and Mornington Island) and the *Community Services (Aborigines) Act 1984* (the Community Services Act). Further attempts to revise local government structures began in 1990, and several reviews concluded that local government structures in indigenous communities lacked legitimacy, because of

- inappropriate governance and decision-making structures which failed to taken into account indigenous customs and tradition (for example the need to represent a larger number of clan or language groups than existing structures permitted);
- the concentration of resources in a few hands;
- a lack of capacity in councils;
- accountability issues; and
- a lack of representation of women on councils.

The Community Councils did not fit in with traditional social structures, nor did they reflect the traditional owners of the land on which the community was located. This caused divisions and conflict within communities. The large number of functions which Councils perform in relation to 'almost every aspect of the functioning of their communities' exacerbated these deficiencies. The Councils operate supermarkets, taverns, child minding centres and numerous other kinds of "income generating" enterprises. As a result, the economic and political structure encourages "rent seeking" by family and clans as they seek control of the resources controlled by the local councils.

The several reviews of Aboriginal community governing structures done in the 1990s recommended more flexible governing structures to enable these to take into account indigenous governing structures. However attempts to develop individually tailored solutions under the Queensland government's Alternative Governing Structures Program (AGSP) failed because of inadequate provision of training and resources to communities to develop these alternatives. The 2001 review by Fitzgerald the Cape York Justice Study (CYJS) reiterated the conclusions of earlier studies that 'Governance arrangements that are more consistent with customary law and traditional authority structures should lead to more ordered self-managed and self-regulated communities.' (Fitzgerald, G.A. 2001.). The CYJS recommended that there should be standard provisions for the local government powers and functions of Councils applicable across all communities and that these should be the comparable to those of mainstream local councils under the *Local Government Act 1993 (Qld)* (the LGA). However, there should also be provision for individual 'Community Constitutions' which would specify 'non-local government functions' that should be re-allocated to 'delegated responsible structures', whose decision-making powers would cover: health; education; sports, recreation and youth; family and welfare services; enterprise development; and land and natural resource management (Fitzgerald, G.A. 2001:255-6.). The CYJS also recommended that further work be done on building regional governance capacity in the Cape (Fitzgerald, G.A. 2001:279.).

Lessons can also be drawn from past governance reform experience worldwide. In the past an over-emphasis in governance thinking on getting 'structures' right at a point in time has led to an under-emphasis on good governance processes. Instead there is a need to tackle the problems raised by the highly localised and dispersed governance in the indigenous communities and "different organisations doing different things can represent different interests that can and should be recognised in the local polity and asking whether institutional structures allow adequately for that representation. That is a bigger task than just establishing a single, well designed organisation." (Saunders, W. 2004:25.).

International research, and in particular the Harvard Project, have identified the critical importance of indigenous communities making their own decisions about the use of resources backed up by capable institutions which are culturally appropriate (Cornell, S. and Kalt, J.P. 2000.). The Harvard Project recommends a "Nation-building" approach to development in which "economic development on Indian reservations is first and foremost a political problem. At the heart of it lie sovereignty and the governing institutions through which sovereignty can be effectively exercised". (Cornell, S. and Kalt, J.P. 2000:32.). Since it first began in 1987 the Harvard Project has been unable to find a single example of sustained indigenous development that did not involve the recognition and effective exercise of tribal sovereignty (Cornell, S. and Kalt, J.P. 2000:30.). Closer to home research in Arnhem land has shown that "it is clear that the communities which enjoy the most intact traditions and are utilising and applying local knowledge and technology most effectively, are the ones which enjoy greatest stability and are least disturbed by the malaise of substance abuse and passive welfare." (Andrews, G. 2004).

Precedence also needs to be given to the principle of internally-led reform. This is particularly important because complex reforms – particularly of organisational structures – not suited to local capacities and resources are bound to fail. Experience has shown that imported approaches, systems and processes are only as good as their adaptability to the local context and capacity. Each community needs to find some degree of match or 'common ground' between the types of governing structures and procedures it wants to develop, and the culturally-based standards, values and systems of authority of community members. Imposed structures have historically resulted in poor cultural fit and/or negative cultural change to accommodate those structures. As a result, the relationship between families and community has been a destructive one. The diversity of cultures and social traditions within the Cape has also constrained the emergence of leadership that can potentially appeal across the region. Leaders, and public servants, have often become rent seekers, with little concern about their role in serving the population. In addition the diversity of culture, remoteness and geographic fragmentation of communities, and poor literacy levels militate against holding leaders and public servants accountable. Civil society is weak as the diversity makes coalescing 'public opinion' on issues extremely difficult.

In summary it is generally accepted that the manner in which governance functions are performed has a direct impact on the wellbeing of the individual and communities. In particular it seems that poor governance arrangements can impede or entirely obstruct development. It seems that some, if not all, the indigenous communities on the Cape are characterised by low levels of social capital, and where it does exist is primarily "bonding" within clan and family groups. Indigenous communities should

concentrate on building up stable, capable and legitimate governing institutions, structures and processes which minimise the adverse impacts from this bonding. This will provide communities with the solid foundation and capacity to make sound decisions about development and to plan for the future and “it is obvious that the process of transforming negative welfare into a positive resource involves a transformation in the role of the state from a disabler to an enabler”.(Pearson, N. 1999:33.).

Summary and Conclusions

The argument put forward in this paper is that a lack of economic development and resulting employment, coupled with a welfare system designed for a developed economy has resulted in the current crisis facing indigenous communities in Cape York. Three major areas of reform are necessary to reach the goal of bridging the gap between the Indigenous communities of Cape York and the rest of Australia. They are:

- significant increased investment in physical, human and social capital and greater community control;
- reverse or at least ameliorate the perverse incentives that many individuals currently face; and
- improved governance.

The total abolition of welfare payments at this time is not realistic however what can and should be done is to use these resources to facilitate peoples’ participation in the economy. The government needs to ensure that the investment climate is conducive to growth and individual incentives need to be aligned with society’s more broadly. This means that people have to benefit from working, initiative and entrepreneurial activities and investing in themselves. Markets can only operate and businesses develop when the state provides an adequate environment. This entails upholding property rights and contracts, maintaining political stability, providing public goods, and using efficient regulation and public services to fill gaps left by markets and to address externalities. Without this environment private entrepreneurship may wither or be diverted into “rent-seeking” or other socially unproductive activities, as is the case in many Cape York communities today.

In practice governance in indigenous communities needs to be considered at three levels from the formal structures, such as the council, to the informal especially the authority emanating from the community. These levels are complementary, influence each other and must be addressed concurrently. The Queensland Government has decided to bring the indigenous councils under the *Local Government Act 1993 (Qld)* however there is still sufficient flexibility under this act to devise a more inclusive community decision making process applicable to the communities. The appropriate structure for each community will need to be “individually tailored” by the communities themselves i.e. precedence needs to be given to internally led reform, along with outside support, advice and appropriate training.

The overall aim of the Cape York Institute’s Social Capital Project (CYISCP) is to foster partnerships between governments and civil society in the indigenous

communities of Cape York, and to encourage volunteerism. As explained above there have been a series of attempts to revise local government structures beginning in the early 1990s, and several reviews have concluded that local government structures in indigenous communities lacked legitimacy. Instead of focusing on the Local Governments alone this project recognises that families, communities, churches, and the private sector have important roles to play in community governance. Relying on the formal agencies to deal with the many social issues faced by these communities is not a viable or especially affordable option. The project seeks to **build trust and cooperation** across all sectors of the community and thus the focus is on strengthening social capital in the two selected communities of Cape York.

In particular this project recognises that this process of social capital building must be integrated and embedded within the societal and traditional structures of the communities as much as possible. Specifically government departments engaged in the Council of Australian Government (COAG) trials have identified that **sound, culturally appropriate community governance is crucial to facilitate community engagement**. Therefore in particular for Shared Responsibility Agreements (SRAs) to work, the community and its governing body must have the authority to enter into agreements with the state and federal government; have the capacity to develop a strategic vision for the future; and have the capacity to engage with and secure commitment from community residents. For this reason it is critical to go below the formal local government structure.

The main components of the project are to liaise and consult (this will include conducting open forums) with the selected communities to **determine a suitable community governance structure** below local councils. This organisational structure should have as its main aim to maximise community input into the decision making process which should be deeper and broader than the current Local Government arrangements provide. In particular it should aim to represent all groups in the community to:

- a. enter into agreements with government (e.g. undertake SRA negotiations);
- b. have the capacity to develop a strategic vision for the future (e.g. produce an appropriate and community owned community plan); and
- c. have the capacity to engage with and secure commitment from community residents to take responsibility for their lives.

In conclusion there is clearly a huge challenge ahead for decision makers about how to implement reform policies on the Cape. But the need to promote economic development, good governance and reform of the welfare system seems clear. The Cape shares with a large number of a number of transition and developing countries the challenge of remoteness, poor health and education and a mentality of dependence on governments (or in the case of many developing countries a dependence on aid donors). Economic and social sustainability are inextricably linked therefore making the task of building social capital critical. To fail to do so would be to sentence these communities to a life of misery and to ever increase the gap in living standards with mainstream Australia. The first step in this process of renewal is for communities to be assisted to develop their own “shared vision” of what their community should be like. Such a vision should be in the form of a prosperous community with good health, high levels of education and economic opportunities for all.

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