



NORFOLK
ISLAND
THOUGHTS
FOR THE
FUTURE

Chris Nobbs

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INTRODUCTION

In recent months, the citizens of Norfolk Island have been subject to the greatest shock to their self-image in the last 150 years. Whether the changes in governance arrangements turn out to be for good or for ill will be for history to judge. Whatever that outcome may be, Islanders are still called upon day by day to act to ensure the best future for themselves both individually and as a community.

So: What might Norfolk Islanders want for their future? In asking this question, I take Norfolk Islanders to include all those who have committed at least a part of their lives to living and contributing on the island. The answer to the question, I believe, involves at its heart, a reasonably stable environment – physical, economic and social – within which Islanders can plan for their lives and those of their children. These plans are likely to include achieving a decent home and a decent job, access to adequate medical care for families and education for children, a supportive society, and maintaining the encompassing and beautiful natural environment. This is my assumption anyway.

Based on this assumption, and as someone born on Norfolk Island who has followed its fortunes over many decades, I would like to offer some thoughts on how such an outcome might be achieved. This essay is not about what form the future governance of Norfolk Island might or might not take. Rather the intention is to look at

aspirations for the future that Norfolk Islanders might have, *whatever* the governance agreed or imposed on Norfolk Island might be. So this essay is about values and goals, which of their nature tend to be rather general. However values and goals can and should inform practical policies directed towards achieving them, so some policy directions are also suggested here too. The essay is not merely about the short-term future, but about the longer term too, say the years out towards 2050. The response to immediate concerns (provided they are not emergencies) needs to be placed within the context of longer term goals, or these may never be attained.

A few preliminary comments are in order. First and without doubt, others have had similar ideas to those expressed here, but as I am unaware of these origins, they will inevitably go unacknowledged. I regret that this is the case. Second, the ideas developed here take no note of whether they do or do not support particular positions adopted at any time by the Norfolk Island Legislative Assembly or any other body. The ideas must stand or fall on their own merit. Third, any reader may choose to agree or disagree with the ideas expressed here, but in either case these may at least form a basis from which fruitful discussion can flow. The challenge for those that disagree substantially will be to propose other goals and other policies, and support them with better reasons. Fourth, to keep the text easy to read, only references of major significance to the text are noted in the text itself. Beyond that, the facts mentioned in the text are readily verifiable either in the general resources given at the end or on the Internet.

And finally, this introduction would not be complete without acknowledging the great debt I owe to all those Norfolk Islanders and others with whom I have discussed island issues over many years.

CHAPTER 1

THE GLOBAL CONTEXT

There are many changes happening in the world beyond Norfolk Island's shores: the globalisation of trade and economic activity, the rise in the importance of financial transactions, the extension of electronic communications, the increase in global population and the movements of people, to name a few. Norfolk Island needs to make its choices for the future in full appreciation of these unfolding changes. Let us consider some of them which will impact on Norfolk Island to a major degree.

world population and natural resources

In the early sixteenth century, the world's population is estimated to have been about 500 million and increasing very gradually over time. However since the Industrial Revolution in Europe (from around the late eighteenth century), world population has been rising at an ever increasing rate. In 1800 the world's population was one billion; in around 1930 it was two billion, in 1960 three billion, in 1975 four billion, in 1987 five billion. In 2009 global population stood at 6.8 billion, according to the United Nations Population Division. The UN estimates that by 2050 the population will have reached 9.3 billion (see Figure 1). Note that this is equivalent to adding to the world a city of one million people every week for the next 40 years.

(These increases will be mainly in Africa, Asia, and Latin America.)
 This situation raises very serious questions about how the world will feed all of its peoples in the decades that lie ahead.

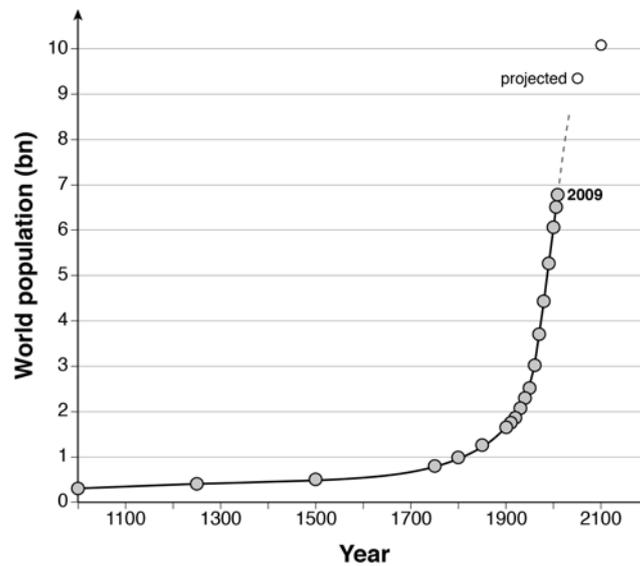


Figure 1 World population 1000–2100 CE

There is some dispute amongst experts as to the extent of this problem. Some put faith in the abilities of technology to augment food production to the extent required, and there are debates about what ‘adequate food’ means and how markets might assure this. However when one takes into account the environmental deficit that continues to increase (see next paragraph), together with the effects of climate change (see further below), there is no doubt as to the outstanding seriousness of this problem.

Partly as a consequence of the global population increase, there has been a continuing decline in the quality of soils and agricultural lands around the world due to the more intensive use of land, the bringing

into production of more marginal lands, and the natural processes of erosion on soils exposed to wind and rain. An international study reported in 2000 that nearly 40 per cent of the world's agricultural land was either strongly or very strongly degraded, that soil erosion and desertification were advancing in many areas, that groundwaters were being 'mined' to deeper and deeper levels at ever higher costs, and that large areas of agricultural land were being lost to urban expansion. Fresh water is becoming a scarce resource in many parts of the world. An international study of marine fisheries concluded in 2003 that 90 per cent of all large fishes have disappeared from the world's oceans in the last half century as a result of industrial fishing, and that, with few exceptions, 'there is nowhere left in the ocean not over-fished'. Biological diversity, or 'biodiversity', is in retreat worldwide 'at all levels and geographical scales', as the Secretariat of the UN Convention on Biological Diversity has confirmed. These changes taken together have rightly been described as a crisis, and one which according to some estimates may see the loss of up to 25 per cent of the world's food production capacity by the year 2050.

Unfortunately this crisis of environmental degradation is unlikely to be resolved in the short term. The international Millennium Ecosystem Assessment carried out between 2001 and 2005 concluded that: 'The challenge of reversing the degradation of ecosystems while meeting increasing demands for their services can be partially met under some scenarios... but these involve significant changes in policies, institutions and practices which are currently not under way.'

Another very important element in the production of food is energy, not only for transport, but also for the production of fertilisers and pesticides that have had such a major effect on enhancing crop yields in the latter part of the last century. Almost all of this energy is currently provided by fossil fuels (coal, oil, natural gas), which are

not only relatively cheap but also very flexible in use. Whatever the market prices may be for these fuels in the future, they will inevitably rise over time as demand increases, reserves become depleted, and usage of fossil fuels becomes more costly on account of climate change.

As for the consequences of these developments for Norfolk Island, we can say with a high degree of certainty that imported food will become more and more expensive over time, and so will imported fuels and their derivatives (and so will aircraft fuel costs). On the other hand, the global need for food may open some niche markets for island products. The issue also brings to notice the importance of maintaining and enhancing environmental quality on the island.

climate change

‘Climate change’ is a shorthand term for all the physical consequences of the build-up of carbon dioxide and other gases (including also methane, nitrous oxide and hydrofluorocarbons) in the earth’s atmosphere. This build-up has been going on since the Industrial Revolution as a consequence of man’s increasing industrial activities, particularly the burning of fossil fuels. Figure 2 shows results from one of the classic carbon dioxide monitoring experiments – the measurement of carbon dioxide concentrations in the atmosphere over several decades, at high altitude on the island of Hawaii well away from sources of industrial pollution. The rising trend in measured concentration has been inexorable over the last half century. (The wiggly nature of the underlying curve is due to the annual increase in carbon dioxide absorption by plants that happens during growth in the spring and summer seasons, resulting in a drop in carbon dioxide concentration in the atmosphere.)

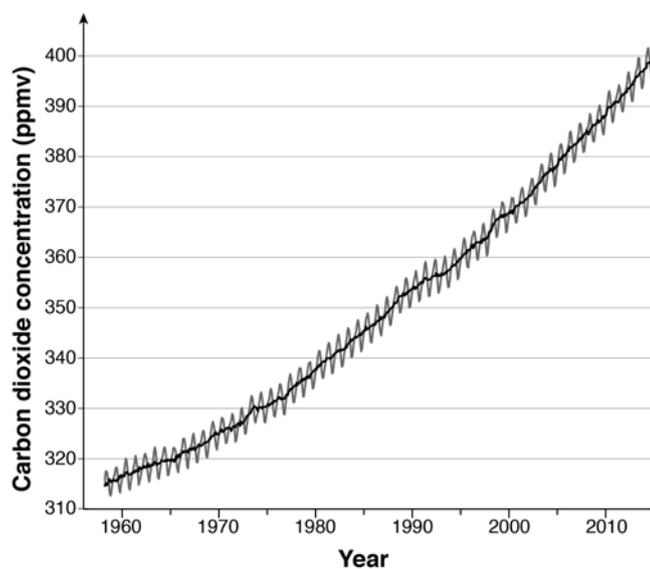


Figure 2 Atmospheric carbon dioxide concentration measured at Mauna Loa, Hawaii

The build-up of these gases in the atmosphere means that the atmosphere traps more of the sunlight that is radiated back from the earth's surface – rather than letting it escape into space – thus acting like a greenhouse and warming the planet. Besides this warming, the build-up of gases has other important consequences too such as making weather patterns more erratic (more cyclones, more tidal surges, more droughts), inducing sea level rise, increasing the acidity of seawater, and altering biodiversity patterns.

The first scientific indications that human activities might be on a sufficient scale to affect climate go back over a century. Due to rising concern about this matter, in 1988 the World Meteorological Organization and the UN Environment Programme established the Intergovernmental Panel on Climate Change (IPCC), endorsed by

the United Nations General Assembly. Since that time the IPCC has engaged many hundreds (thousands?) of the world's top scientists in detailed considerations of the issues involved in the greenhouse effect and its consequences. The most recent IPCC report appeared in 2014 and provides in four individual reports detailed analyses of: the physical and scientific basis of climate science; the impacts, adaptation and vulnerabilities to climate change (including by region); ways of mitigating the effects of climate change; and an overall synthesis of available knowledge. Each report is accompanied by a non-technical 'Summary for Policymakers', and fact sheets (Note 1).

The first thing that must be stated clearly is that human-induced climate change is a real phenomenon, agreed in its essentials by the vast majority of the world's scientists and scientific organisations, the United Nations, and most national governments including the UK, the US and China. The days of reasonable scepticism about the reality of climate change have long gone. (The facts of climate change have been, and continue to be, opposed, often deceitfully, by a few large corporations and their clients, who have a vested interest in maintaining the status quo; and by a few politicians and others who are either inadequately informed or wilfully blind.)

Not all the effects of climate change will be negative, at least in the short term. For example, warming will increase the growing season for crops in higher latitudes. However it is universally agreed that, particularly over the longer term, climate change will be seriously detrimental to the world as a whole. In its 2014 report the IPCC concluded: 'Without additional mitigation efforts beyond those in place today... warming by the end of the 21st century will lead to very high risk of severe, widespread, and irreversible impacts globally', a conclusion held with 'high confidence'.

There are however aspects of the phenomenon that make it a very

difficult problem for humanity to respond to. First is its cumulative and long-term nature. Because carbon dioxide and other 'greenhouse gases' remain in the atmosphere for decades and even centuries, it means that shutting down emissions at one point in time does not solve the problem, because we will be subject to the effects of previous emissions for many decades to come. This is an indication of the urgency with which the problem of reducing emissions needs to be tackled. To limit final temperature rise to less than 2°C – beyond which experts believe temperature rise will start to have intolerable effects – substantial reductions in emissions will be required over the next few decades.

Sea level rise is caused not only by seawater expanding as it warms, but also by the melting of glaciers and ice sheets in the Arctic and Antarctic (processes already quite visible on aerial photographs). The IPCC estimates that since 1900 sea levels have risen by about 20cm, and that they are likely to rise another 30–100cm by the year 2100 and on beyond that, depending on what policies the world adopts to slow the effects of climate change.

The second major difficulty is that the climate change problem is global – emissions by one country affect all other countries around the globe. Because international agreements are so difficult to achieve and enforce, countries can try to avoid responsibility for their own emissions.

What effects might climate change have in store for Norfolk Island? As an isolated island, Norfolk is fortunate in being surrounded by seawater, which will provide a moderating effect on air temperatures (contrast the Australian inland, exposed to the withering effects of dry winds over land). However extreme weather events are likely to become more common, with longer periods without rain, and greater risk of high-force winds. Sea level rise will also have its effects.

Fortunately the great mass of Norfolk Island is high above sea level, but the low-lying land around Kingston could suffer substantial losses. This observation should come as no surprise, as the loss of land and potable water to sea level rise around low islands in the Pacific and Indian oceans has been well documented for some years. (The washing of seawater from Slaughter Bay into the old lime kiln in recent years may give some indication of the direction of future effects on Norfolk.)

Increasing seawater acidity has the effect of damaging coral reefs, as has been clearly demonstrated already on the Great Barrier Reef. Norfolk Island will not be able to do anything to alleviate this possibility at Kingston. With regard to Norfolk's indigenous flora and fauna, little is known of the ability of many of these species to adapt to changing environmental conditions. Fortunately we do know that the Norfolk Island pine grows well in a wide variety of conditions around the world.

It is widely acknowledged that climate change is the world's number one twenty-first-century problem, from which no country will be immune. Norfolk Island will also suffer its effects, but is very much better placed than many islands to respond to it. Some possible policy responses that Norfolk Island might adopt in the wake of climate change are noted below.

the world's economies

In 2007–08, the world's economies suffered a global financial crisis, which caused widespread damage to economies and to individuals around the world, and from which the world still suffers. The causes of this crisis have been much examined. Broadly speaking they come down to the conduct of many of the world's large banks in a deregulated economic environment: conduct justified by fashionable

but inadequately tested theories of some economists. Now, several years after that event, many, but not all, of the world's economies remain in the doldrums. Global economic growth remains well below the rates recorded in the first years of the millennium, and unemployment rates remain stubbornly high (above 6 per cent) in some major economies. Many economies remain 'fragile' according to the International Monetary Fund. London's *Financial Times* recently noted that 'A return to the days of buoyant global growth seems far over the horizon'.

There are a number of identifiable reasons for this muted outlook for the future. Monetary policies exercised by governments according to current economic orthodoxy have failed to remedy the problem of stimulating investment. And to date there has been a failure on the part of authorities to rein in the self-serving behaviour of the major banks. Global debt burdens, particularly of private debt, continue to increase. Economic growth in China, for many years the engine of global economy, is slowing, and this has already had repercussions on the Australian economy with lower energy and commodity prices and rising unemployment. As so little has been done to improve conditions since the global financial crisis, some economists are even predicting another more serious financial crisis in the not too distant future.

There are also other long-term economic problems on the horizon. Due to rising life expectancy and declining fertility – particularly in economically developed countries – the average age of populations is rising. The US National Institute of Health estimates that whereas about 8 per cent of the world's population in 2010 was aged 65 or over, this figure is expected to double to 16 per cent by 2050. This change means that the increasing ratio of older 'retired' people to working-aged people will put increasing pressure on health systems

and social security systems that pay pensions and other social benefits out of taxes. Its effects have already been felt in several countries, including Australia.

A second major change is being driven by increasing automation in industry and commerce resulting in the phenomenon of ‘jobless growth’, in which economic growth can be positive but which creates no additional employment. Many countries have also experienced and continue to experience unemployment due to international companies moving factories overseas to lower-wage economies in the continual quest for greater profits. There has been a hollowing out of what would previously be considered middle-level jobs, and a sharp and increasing divergence between the remuneration of the highly skilled few at the top and the unskilled many at the bottom.

These shifts will impact on Norfolk Island in several ways. First, they suggest that any expansion of economic activity on Norfolk Island in the near future is likely to be very gradual at best: there will be no rapid return to the boom days of the 1970s. Norfolk is fortunate that it has an established tourism infrastructure that can be called into operation readily if and when conditions improve. Second, there will be little or no largesse available from the Commonwealth government, as they themselves struggle with these problems in the future. Social entitlements of those living on the island are much more likely to fall over time in real terms than to rise. Third, Norfolk Island’s own policies should emphasise the creation and retention of jobs ahead of focusing on economic growth.

some reflections

There is nothing eccentric in the factual content of what has been said so far. With the possible exception of some issues of economics, the details given are well established and are common knowledge

amongst those who follow these issues. They are well documented in a mountain of technical and scientific papers, and discussed in a wide range of more popular sources such as *New Scientist*, *National Geographic* and *Wikipedia*. We are talking here of matters of fact. Although the world is not devoid of resources to respond to these problems, they are of large magnitude, and will require substantial commitment of the world's financial and other resources over a long time span if they are to be successfully surmounted.

This brief review of the global outlook provides the real context within which Norfolk Island will need to find its way in the decades ahead. Things that Norfolk Island cannot control will have to be adapted to (such as preparing for cyclone emergencies); things that it can partially or wholly control can be subject to change (such as using renewable energy sources).

Finally, it must come as a curious fact that none of the official studies of the Norfolk Island economy in recent years deals with the matters discussed above. In the case of the 2012 ACIL Tasman *Norfolk Island Economic Development Report*, the immediate reason is that the terms of reference given by the Department of Regional Australia specified time horizons of five and ten years. In the case of the 2014 Joint Standing Committee on the National Capital and External Territories (JSCNCET) inquiry, reported in the document *Same Country: Different World*, the implicit time horizon appears to be even shorter than that (Note 2). Such a short time horizon gives a distorted and incomplete view of what Norfolk Island requires in relation to future policies. Recommendations made in such short-term reports, if they are to be fully meaningful, need to be cast within the context provided by the longer term.

CHAPTER 2

A FUTURE FOR NORFOLK ISLAND

the longer term: basics

The global context forces us to take a longer-term view of how Norfolk should secure its future. It forces us to acknowledge the importance of the physical situation of the island in relation to its natural resources and environment as the basis for its long-term security. Although it may be unfamiliar to some, the idea of thinking about an economy as being embedded in a larger system that includes the physical environment is becoming more commonplace. An ecological system (or ‘ecosystem’) is defined as any assemblage of plant, animal, human, and micro-organism communities and their non-living environment of soil, climate, and physiography, interacting over time. As the expression indicates, it is a *system*, which emphasises the interaction amongst its constituent parts. And this is where the often unappreciated concept of biodiversity – a measure of the variety of life forms in an ecosystem – and its decline, become important. An analogy is sometimes used here to compare biodiversity loss with the removal of rivets from an aeroplane wing. Remove a few here and there and the plane will still fly, but remove more, or some critical ones, and eventually the plane will crash.

Because of its physical isolation, Norfolk Island is an excellent example of what can be considered as a relatively self-contained ecosystem: environmentally, economically, and socially.

As was supposed at the outset of this essay, a key factor for Norfolk Islanders in considering their future would be for conditions in the Norfolk Island ecosystem to remain relatively stable and show some continuity over time, so that Islanders can plan adequately for their lives. This condition of stability is often referred to as ecosystem 'sustainability'. The US Environmental Protection Agency points to the core idea of sustainability, namely that we act so as to create and maintain 'the conditions under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic and other requirements of present and future generations'. The importance of adopting an approach to policy which emphasises sustainability (or 'sustainable development') will be apparent from the foregoing parts of this essay. This is of course not to deny the reality of change – all living systems evolve over time – but requires, if there is to be change, that it be kept relatively slow, gradual, and within bounds.

Related to the idea of sustainability is that of 'resilience', by which is meant the ability of a system that has been subject to a stress to spring back to something like its original situation when the stress is removed. Take as an example a decline in seabird numbers – at what point does the population collapse and disappear from the earth, or go elsewhere, rather than recover its numbers in its original habitat? This example indicates that there is always an outer bound to resilience, beyond which sustainability cannot be guaranteed. It indicates the importance of precaution as a watchword for policy, particularly for small islands that lack natural resilience in comparison with larger areas, due to their lack of ecological diversity. (On a larger stage, it

might be said that the effects of climate change are testing the bounds of global resilience.)

These considerations suggest that sustainability and precaution are worthy of being foundational principles for policy considerations on Norfolk Island. Taking these matters into consideration together with the previously discussed issues of population, natural resources and climate change, what are the basics that Norfolk Island policy going forward ought adhere to?

Natural resources. First, there is a need for policies to move towards ensuring energy security and the reduction of long-term energy costs for the island, including policies that encourage the use of renewable energy (including in transportation), and including the use of solar power, electric vehicles, and reducing the sizes of imported gasoline vehicles (excepting those for special purposes).

Second, policies should be directed towards encouraging some measure of food security. This might include encouraging the use of land for agriculture and horticulture and the growing of more of the island's own food, the initiation of a cooperative dairy, and the reintroduction of the position of agricultural officer. Such activities would also support the island's tourism industry, and possibly some niche exports as well.

Third, there is a need to maintain and enhance the level of environmental care. The environment does not look after itself: it needs to be the proactive responsibility of each individual citizen. Witness the precipitate decline of seabird populations on and around the island in recent years, the continued spread of woody weeds, and the invasion of Argentine ants. Rodent control on private property might be made obligatory. Control of domestic and feral cats to protect bird populations is essential. There should be no disjunction between the level of care exercised by the Commonwealth on land it controls

and that of the rest of the island. Care for the environment not only increases the well-being of individuals and the aesthetic stature of the island, but assists tourism and may also assist in adapting to climate change.

Climate change. The likelihood of greater weather variability suggests it may be appropriate to introduce more stringent planning regulations relating to building codes, and water storage requirements on private property. It suggests increased attention to emergency procedures and drills. (The recent experience of cyclone Pam on Vanuatu may provide some clues to Norfolk Island as to how it should respond to such emergencies.)

The KAVHA area provides a critical problem. The scouring out of Cemetery Bay and storm surges undermining the Slaughter Bay wall may be the first signs of challenges to come. As KAVHA is a Commonwealth responsibility, it would be expected that it should take major responsibility for carrying out the necessary actions in response to this threat, in concert with the Norfolk Island government. (The reality of the threat to this area is acknowledged by the fact although KAVHA does not yet have its own climate change response strategy, one is projected.)

There appears little that Norfolk Island will be able to do to protect its coral reefs from the effects of climate change. However it can proactively care for its environment more generally: such actions might include encouraging the much more widespread planting and husbandry of indigenous trees and shrubs, and the protection of sea cliffs from storm and rainfall events.

day-to-day economy

People have been thinking about how small, relatively isolated Pacific islands, can best make their day-to-day living for many years. Back in

1980 bio-geographer Nigel Wace listed what he believed to be these islands' 'comparative economic advantage' which could provide the basis for rewarding economic activity (Note 3). His list still provides a valuable reference point for examining Norfolk Island's future economic options. As he expressed it in the language of the time, the opportunities are as follows (asterisks have been added to indicate what are believed to be areas of major present-day opportunities):

- (1) The testing of weapons of mass destruction or of noxious chemicals: and the use of strategically placed remote islands as military bases or for satellite or cable stations, or as aircraft landing grounds;
- (2) The bulk-handling, refining, trans-shipment and treatment of noxious or dangerous fuels or other substances;
- (3) The incarceration of unwanted, troublesome, or politically embarrassing persons in places from which it is difficult to escape;
- (4) The temporary detention of plants, animals, or people, in transit between different countries in order to ensure they are not carrying any pathogens, parasites, or other unwanted organisms that could be harmful to the economy of the receptor country;
- * (5) The growth or rearing of domesticated species which can be guaranteed freedom from infection by pathogens;
- * (6) The export of endemic, natural productions or artifacts manufactured from them, or goods which are unique to island cultures and which cannot readily be made elsewhere;

(7) The conservation of gene-pools of plant and animal species, whose existence or genetic diversity elsewhere is threatened;

*(8) Environmental monitoring, or research in the natural sciences which depends upon remoteness of the island from industrial manufacturing, intensive agriculture, or other concentrations of human population;

(9) The exploitation of fisheries and other marine resources near remote islands;

***(10) The import of people to enjoy scenic and other recreational values in remote islands, together with various forms of sticker trading (of which philately is the best developed) associated with it.

And in the year 2015 we might add an eleventh category:

*(11) Exploitation of opportunities consequent on global e-commerce such as call centres, IT programming, book design and editing, and blogging.

Opportunity (3) provided Great Britain with its economic return on the use of Norfolk Island in the early nineteenth century. Opportunity (4) was an issue much debated on the island during the 1970s, when the Commonwealth government offered Norfolk Island the opportunity of hosting the Australian Quarantine Station. The proposal was turned down by the residents at referendum. Opportunity (9) is not available to Norfolk Island, as control of the exclusive economic zone around the island has been usurped (if that is the correct expression) by the Commonwealth. Nonetheless, the

five categories (5), (6), (8), (10) and (11) provide Norfolk Island with future economic opportunities, particularly as global technologies and fashions change. It is my belief that the brainstorming of these issues will lead to new and rewarding opportunities.

Currently the most apparent exploitable opportunities appear to be in the areas of:

- (a) Development of the tourism industry (10) and its collaterals as the core business of the island;
- (b) Development of niche industries (5), (6), (8) and (11), so that not all of the island's eggs are in one basket;
- (c) The improved use of land for agriculture, horticulture and environmental purposes, for reasons of food security, aesthetics, and the support it would provide for tourism through the increased availability of fresh fruits and vegetables.

Norfolk Island's future policies should reflect these emphases.

There is no need to further discuss items (a) and (b) here: they have been much discussed elsewhere. However it is relevant to draw attention to the matter of immigration. There are good reasons for promoting some targeted immigration to the island as a means of enhancing expertise and assisting economic growth. It is to be regretted that in the immediate future there appears to be no means open to the island administration for dealing with immigration excesses either in numbers or in the conduct of individuals.

With regard to item (c), Norfolk has a history that provides some lessons. The island is fortunate that it has fertile soils, an equitable climate and distributed rainfall that make it valuable for agricultural

and horticultural pursuits. In the early years of the twentieth century, Norfolk Island supported an almost self-sufficient economy of subsistence farmers. In the 1920s when disease destroyed banana crops in New South Wales and Queensland, Norfolk Island increased its production substantially to fill this market gap, and experienced something of a 'boom time' as a result. However export was affected by shipping problems, the Great Depression, and when Australian plantations became re-established, Norfolk Island bananas were rendered uneconomic and export production on the island came to a halt. In 1935 Norfolk Island commenced supplying a Sydney-based company with passion fruit, and a factory was set up at Burnt Pine to extract the pulp. When the company ran into financial difficulties, the factory was turned into an island-owned cooperative and a contract negotiated with another Sydney company, Cottees Ltd. However this contract did not survive the Second World War, after which Cottees moved its supply source to Papua New Guinea. In the years following the war, Norfolk exported a range of horticultural products to Turners and Growers in Auckland by air, including avocados, *Monstera deliciosa*, guavas, beans, kumara and flowers. This came to an end when the New Zealand government introduced import restrictions. At this time the disease-free status of the island enabled bean seed to be successfully exported to Australia, but earnings were unreliable due to fluctuations in Australian supplies, transport problems, and an outbreak of halo blight in island stocks. In the 1960s the bean seed industry rapidly declined as Islanders increasingly turned their attention to the burgeoning tourism industry.

What this brief history shows is not only the vulnerability of island undertakings to changing external conditions (both natural and man-made) over which they have little or no control, but also the adaptability and initiative of island farmers of that time. It also

demonstrates the importance of tourism to the island, which has provided a relatively stable source of income for over half a century (once again basically undone in recent years by forces beyond the island's influence).

This vulnerability continues as an ongoing fact of life for the economies of small islands in general and of Norfolk Island in particular. We can summarise the major reasons for this vulnerability: the high degree of economic openness; dependence on a small range of export products; high transport/freight costs; and dependence on industrial imports. There needs therefore always to be some insurance against such volatility, and this is provided by a policy of precaution. (One can also, in some limited circumstances, purchase insurance.)

A policy of precaution does not deny the importance of adaptability, and it is certainly true from the agricultural history just described that island agriculture proved itself to be very adaptable in responding to changes of circumstance. However a policy of precaution is more crucial than one of adaptability in the case of small economies, as a capacity to adapt to all potential circumstances cannot be maintained unused. Adaptability provides a tactic, not a strategy.

the 'free market' and the role of government

The ACIL Tasman report on the economic development of Norfolk Island, and a number of major submissions to the JSCNCET inquiry, advocated for the 'free market' provision of goods and services on Norfolk Island, rather than government provision. (These services include energy, lighterage, postal services, forestry, the tourism bureau, the liquor bond and so on – a list is provided at Note 4, health services excepted.) We need to look a little more closely at the workings of the 'free market', particularly in small island economies, and ask whether, or to what extent, such an approach is appropriate.

This should provide some pointers for Norfolk Island's policies in the future.

All economic policy proposals are based on a particular model of how the economy works. The free market model has as its basic assumption that activities carried out by private individuals (and companies) employing markets (in which numbers of sellers bringing products to market, and numbers of buyers bid competitively for them) are more efficient in their workings than are the same activities carried out by governments. If economic growth is the goal, then free markets are the best way to achieve it, so the assumption goes. The consequence of this is that as many as possible government-provided goods and services should instead be provided by the private sector. This view then goes on to say that governments should therefore be shrunk in size, taxes reduced, and social services strictly limited. This free market approach is not only incomplete, but dangerously so for small economies such as Norfolk's.

First – and as we have just noted – this ascendant view assumes that privately owned companies are necessarily more efficient than government-owned instrumentalities. As a generalised proposition, this is false. Some are, some aren't – it depends on the specifics. Witness Air New Zealand, a relatively successful government-owned airline until it was privatised in 1989. Following some disastrous decisions by its private owners, it was saved from bankruptcy by being re-nationalised in 2001, and became a successful airline again (and currently a roughly 50:50 partnership between government and private enterprise). Or consider the fate of the government-run New Zealand Rail, which was sold to a consortium of private investors in 1993 and rebranded as Tranz Rail, and which, after some restructuring, was listed on the stock exchange in 1996. In subsequent years, following a series of ownership changes, the selling

of assets, and critical reports of ‘lax safety standards, inadequate maintenance, asset stripping and insider trading’, Tranz Rail was sold to Australian company Toll Holdings in 2003. However, following a series of difficulties the government agreed to buy back the carcass of the former New Zealand Rail for twice the price it had sold it for originally, rebranding it as KiwiRail.

In Australia, the justification of the continuing promotion of the free market model has been based to a large degree on the proposition that this regime has been responsible for a boost to productivity growth in the Australian economy. In fact, a series of statistical analyses gives only weak or no support to this contention. (Nor is there evidence, across a wide variety of countries, to indicate that reduced social spending contributes to enhanced economic growth.) Many economists appear to be clinging on to an ideological attachment to the free market model irrespective of the evidence as to its limitations (Note 5).

Second, is the issue of determining the efficient price for a service. We are talking here particularly of what are called ‘natural monopolies’ – these are undertakings, often utilities, which have lower unit costs the larger they are (for instance electricity provision, waste disposal, lightering). This is a situation magnified in its importance on Norfolk Island because of the small size of the economy. In such circumstances there is no ‘efficient’ market price for the service, so the appropriate price has to be determined by other means. Privatisation does not solve the problem of setting the price – government price-setting is merely replaced by some other means of bureaucratic price determination.

Third, the ascendant view assumes that efficiency is the only criterion that is relevant to the decision as to whether private enterprise or government should provide a good or service. This was

not always the case. Up until the 1980s and before the entry into fashion of the free market model, it was assumed that governments in Western countries had a positive role in providing services to those in need by redistributing some of the benefits of economic activity via taxes, in order to correct social injustices – often induced by the market system itself. The examples given above of privatised New Zealand corporations speak precisely to this ongoing claim, despite the ascendancy of free market ideology. In the case of New Zealand Rail, the provision of an adequate rail service was in the end paramount, whether or not it was ‘efficient’ (or even profitable) in economic terms. In the case of Air New Zealand, reintroducing the company into public ownership clearly had elements of strategic interest, national pride, and national branding. (If it were only a matter of airline efficiency, Air New Zealand could well have been left to go bankrupt, as there were plenty of other airlines available to fill the gap.)

As these examples make clear, economic efficiency can be a useful guide to good economics, but it does not span the range of the true and legitimate tasks that it falls to government to undertake. What is missing in the free market model is any consideration of what is referred to as ‘public goods’ or more generally ‘the common good’. What the common good implies is described by philosopher John Rawls as ‘certain general conditions that are... equally to everyone’s advantage’. As the above New Zealand examples demonstrate, the common good can encompass a variety of means for ensuring community well-being and integrity (on which see further below). In addition, environmental quality, ecosystem resilience and sustainability are common goods. When common goods are important, only government can act in their defence as custodian of a society’s future and well-being. The issue of public versus private

provision of services comes to a focus when it is recognised that the primary purpose of private enterprise is - and is legally required to be - generating profits for its owners, not providing for the common good. Private fossil fuel based companies have an economic interest in selling more power, not in energy conservation or in promoting environmentally clean alternatives. (In this regard, it should be noted that there is a mathematical theorem in economics – not as well known as it should be – which demonstrates that free market efficiency does *not* ensure ecosystem sustainability.)

Finally, if there were to be privatisation of government undertakings, then the practical issue of relative power (influence) arises: how is a Norfolk Island government supposed to stand against the power of, say, a large off-island company providing an essential service, when the company decides to force down local wages, extract monopoly profits and transfer them off-island, or maybe even ‘do a Tranz Rail’?

Given these limitations of the free market model, there is no good reason in economic principle why the Norfolk Island government should not be the provider of, and in control of, the provision of critical public goods for Norfolk Island: and this proposition is reinforced when the current global context is considered. Indeed, when capital is so scarce, why shouldn’t a government continue to run a profitable business and return the profits to infrastructure improvements? That is not to say that government-run services should not be more transparent and accountable than they are, nor that the Commonwealth or other governments should not be the source of valuable advice and counsel. The recent Deloitte Access Economics study of Norfolk Island government business enterprises appears to agree with this assessment, attesting that the island does not have a ‘standard’ economy and ‘needs to be bespoke’ (i.e. fashioned to its

own specifications), and that the scope for privatisation is limited (Note 4).

Where the Norfolk Island government, on the basis of citizens' wishes, determines that it should be involved in the provision of public services, then it should encourage and invite other Australian governments to provide it with advice and technical assistance. In support of these objectives, Norfolk Island public servants should be able to transfer amongst other public service organisations in Australia, in order to increase their experience and expertise, and provide on-island opportunities for others. Other cooperative enterprises directed to training and refreshment of the public service over time might also be considered.

community and democracy

I assume that there is a general wish that Norfolk Island has a happy and successful future, one that fulfils community aspirations, and one not dependent on Canberra's coffers. That much, Canberra should be interested in too. However in the past Canberra's words have not been matched by its deeds. The Norfolk Island Act 1979 made clear that the intention of the Commonwealth Parliament at that time was that Norfolk Island should move progressively towards a form of internal self-government, with the Commonwealth's guidance and assistance. However subsequent Commonwealth governments did not live up to their commitments under the Act: promised reviews of the working of the Act were never carried through by the Commonwealth; the development process was inhibited – the Norfolk Island Administration was not permitted to use debt or bond financing for development without the Commonwealth's permission (which was never forthcoming); and rather than provide encouragement and assistance to this fledgling project, many Commonwealth politicians

and bureaucrats spent time scorning Norfolk Island for its failures – a stream of reports out of Canberra over the years have regularly criticised the island and its administration. (As a recent example of this latter, neither the ACIL Tasman report nor the JSCNCET report, while deploring the state of the Norfolk Island economy, chose to acknowledge that the 2007–08 global financial crisis may have been a contributing factor). Whatever else such actions might achieve, they act to seriously devalue the experience and aspirations of Norfolk Islanders individually, and undermine their community more generally.

Nonetheless Norfolk Island ought, I suggest, adopt a patient policy towards the Commonwealth government (and other Australian governments with which it might have dealings), and continue to present its policies on the basis of merit, case by case, and in the hope of fair treatment.

For Norfolk Island, as a small isolated ecosystem, the integrity of community matters more so than in other environments, and policies to enhance it should be promoted. I would suggest that each individual would want a community in which trust and loyalty are valued, in which their contribution is valued, in which they feel they can ‘make a difference’, in which they can maintain their dignity. Such a unifying vision contributes not only to community stability and well-being directly, but is of value to the economy in energising imaginative engagement, in confronting social problems as they may arise (in economic downturns for example), and in responding to climate change. It is a vision made manifest in *all* societies and in many ways: in the provision of community services, and in the acknowledgement of symbols – flags, anthems, language, cuisine, customs, traditions, annual celebrations – which reaffirm individuals’ commitment to a shared ideal. Such symbols may not be as visible as

the products of a consumer lifestyle, but they are at least equally important.

Norfolk Island policies might provide encouragement to volunteering and cooperative endeavours. Norfolk has good reason to hold fast to its symbols of community. To support these measures, the descendants of the 1856 settlers may need to examine ways to engage more fully with recent residents in sharing their experience. The isolation of the Norfolk Island ecosystem suggests that the island needs to have some policy flexibility if these things are to be done well. A model that encourages the island to manage its own affairs and advance its own interests with advice and counsel from the centre, in my view, still offers a more creative and enriching model – for all parties – than the latter-day dirigisme from a centre far away in the inland of a continental landmass. Canberra needs to cut Norfolk Island some slack.

When we consider democracy and the Norfolk Island experience, we need to affirm that there is only honour in demanding its increase. We need to remind ourselves that adequate representative democracy even in many Western countries is a relatively recent achievement, and is always open to improvement: in the UK a partial version of women's suffrage was introduced only in 1918, and full suffrage in 1928; in Australia women's suffrage was introduced in 1902, but this was not extended to Aboriginal women (and men) until 1962. It should be held as a badge of honour that Norfolk Island has an unrivalled history in this regard: female descendants of the *Bounty* mutineers were allowed to vote for their ruling councils on Pitcairn from 1838, and on Norfolk Island after 1856.

Nineteenth-century British philosopher and social reformer John Stuart Mill captured the importance of private citizens participating in public life – not just in democratic voting, but in community

groups, faith-based organisations, professional associations and so on – when he wrote: '(He) is called upon, while so engaged, to weigh interests not his own; to be guided, in case of conflicting claims, by another rule than his private partialities; to apply, at every turn, principles and maxims which have for their reason of existence the common good'. On the other hand, Mill observed that where this public spirit does not exist: 'A neighbour, not being an ally or an associate, since he is never engaged in any common undertaking for joint benefit, is therefore only a rival. Thus even private morality suffers, while public is actually extinct'. These might well be taken as motifs for community action on Norfolk Island. (The free market economic approach to life, it should be noted, does not recognise cooperation as a basic motive for human action.)

On Norfolk Island as late as 1981 it could still be claimed that every person on the electoral roll would be known personally to at least one of the nine members of the Legislative Assembly. It may still be true. It is a remarkable seedbed in which democratic processes can flourish. It makes the possibility of direct democracy, where the citizens participate in the decision-making personally via referenda – as often applied in Norfolk Island – more viable. Norfolk should nurture and enhance this aspect of its culture. This might be done through the processes of 'deliberative democracy', the idea that genuine democracy consists not merely of voting at elections, but in addition involves wide participation and augmented public discussion and deliberation by citizens on matters of moment. Such deliberations are conducted under principles which ensure that engagement with others is on the basis of moral equality and mutual respect. The claim is that such public deliberation allows for citizens to clarify issues, sift self-interest from public-interest claims, and determine the relative merits of various public-interest claims. The claim is

not that deliberation will resolve all disagreements, but rather that in a context of moral equality and mutual respect reside the best opportunities for doing so. The Norfolk Island community might well wish to act to maintain and develop its democratic tradition and enhance the quality of its decision-making processes by adopting such an approach.

A FINAL WORD

Norfolk Island is a unique, isolated ecosystem, a ‘beautiful isle’, a gift from Nature. Its community has a great tradition of resourcefulness, of which it can be justly proud. This spirit will serve it well in meeting the challenges that lie ahead. If Norfolk Island is to be adequately managed in the future and provide for the well-being of its citizens, then adequate flexibility must be accorded to those on the ground to enable it to do so. Cooperation needs to be valued as well as competition.

In this brief essay I have tried to set out, on the basis of what I would take to be widely shared values, what I think are some good directions for Norfolk Island’s future. It suggests the importance of the principles of sustainability, precaution in policy, and the value of cooperation alongside competition. Within this context it suggests policies in relation to:

- support for the island’s major industry of tourism
- the diversification into niche industries
- an emphasis on encouraging agriculture, horticulture and environmental care
- a positive and significant role for government
- the development of the island’s democratic traditions.

There is much to play for. With goodwill from the Commonwealth and other Australian governments, I see no reason why Norfolk Island should not become a world-leading community for ecosystem management and sustainable economy in the twenty-first century, and a credit both to its own citizens and to Australia.

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Figure 1 source: UN Population Division, *World Population Prospects: The 2010 Revision*, 2011, and various. Figure reproduced by permission of publishers Routledge (Taylor and Francis Group).

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Whatever Norfolk Island's governance arrangements may be, citizens are still called upon to act to ensure their own well-being and that of their families and community. This booklet outlines an approach to ensuring Norfolk's well-being into the future, and points towards policies which will enable its success.

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