

Fiji electoral discussion

How to learn racial harmony? Fiji would benefit from rules for a new game

Wolfgang Kasper

Emeritus Professor, UNSW and Senior Fellow, The Centre for Independent Studies

Observers of the early economic development in Europe noted how small groups of capitalist entrepreneurs interacted and thrived, but that the large mass of the people were left 'outside'. The eminent French economic historian Fernand Braudel spoke of early development happening under a 'cheese cloche', one of those glass bells under which the French keep their cheeses, with the poor looking in enviously, yet unable to participate. Karl Marx noted that this division created mounting socio-political tensions, 'class warfare'. Hernan de Soto, the contemporary Peruvian economist, and his team observe the same division, and he is correct in relating it to mounting ethnic and social tensions and political instability in many parts of the Third World today (de Soto 2000). The gaps widen as long as some groups are able to have their property rights and contract enforcement protected, so that they can use their assets confidently, and 'those outside' *de facto* have no enforceable property rights. Although they are enterprising, they get nowhere and become resentful. Only secure property rights and equality before the law allow people to become middle class and achieve widespread, equitable economic growth.

Students of the new constitutional economics, that is of how the 'constitution of

capitalism', the fundamental ground rules (or institutions) of the market economy, affect the processes of economic development in different societies (Kasper and Streit 1998), find this analysis entirely plausible. It holds great explanatory and predictive power for what is happening in Fiji and elsewhere in the South Pacific (Kasper 2000a, b).

It is no coincidence that the quality of economic institutions correlates closely with the level and growth of per capita incomes and the equality and otherwise of economic opportunity and income (O'Driscoll et al. 2001, World Economic Forum 2000). Economic freedom is not just a Western concept. It holds true for all societies and civilisations. Thus, the benefits of better institutions became evident in Fiji, when privatisation and deregulation after the 1987 coups freed the forces of economic growth for a while, before a corruption of the economic constitution again eroded them.

The important role of institutions—property rights, the freedom of contract and equality before the law—is not obvious to economists who have studied only the neoclassical textbooks and for whom economic endeavour is mere maximisation of given, known resources. Nor can lawyers understand the importance of traditional and formal constitutional rules, if they see the

Policy dialogue

constitution as no more than an instrument of conflict avoidance and protecting the *status quo*. In reality, economic development is of course about the discovery of innovative and better ways to satisfy the wants which people keep discovering. The institutions can help or hinder that process.

How to empower the people and make for racial harmony

If one analyses the slow economic growth in Fiji since Independence and the mounting racial and social tensions from the standpoint of the new constitutional economics, one has to conclude that Fiji's political and economic situation could be turned round by innovative thinking. There is no reason why Fiji should cling to big, supposedly benevolent, centralised government and why the constitution should be seen merely as an instrument of allocating political powers between groups and protecting the minority from abuses by the government of the day. A more promising path is constitutional innovation: de-emphasise the collective power of government, devolving as many of the coordinative tasks as possible to private, competitive decisions in markets, and dispersing what remains—as far as possible—to autonomous local governments. Such ground rules would facilitate experimentation and learning, including — as worldwide experience has shown — learning racial harmony, trust and cooperation (Rabushka 1974, Sowell 1983, with regard to Fiji and the South Pacific, see also Kasper et al. 1988 and Bauer et al. 1991).

De-emphasising and dispersing government powers seem the best guarantee for avoiding the pitfalls of race-based, top-heavy politics and coercive intervention. This would equip the population of all backgrounds for success in the open global economy of the 21st century. The initiative has of course to be taken by the people of Fiji.

The time has long passed when constitutional concepts could simply be parachuted in. All that an outside observer can do is to respectfully offer ideas which have worked elsewhere and which may help, if properly adjusted to Fiji's conditions.

The study of constitutional economics shows that what has worked well at the village level may be a handicap when competing in the world at large (Kasper 1997). If people want economic development and continuing social harmony, they cannot always cling to inherited institutions. Indeed, clinging indiscriminately to tradition condemns people to stagnation, discord and conflict — and no amount of foreign aid can remedy the self-inflicted hurt.

Giving all citizens and all classes secure property rights and enforcing the rule of law for all not only promotes economic growth. It has at least two important non-economic benefits. A good economic constitution fosters civil and political freedom, controls arbitrary political power and favours democratic forms of government. More importantly still, such a constitution turns markets into a school in which to learn racial harmony. People of different social and racial backgrounds around the world interact voluntarily and as equals in markets. They do so peacefully because this is in their mutual interest. Habits of constructive compromise are learnt, and traditional enmities give way to mutual familiarity, first in business, then in other walks of life. The mutual distrust of tribalism is turned into win-win cooperation and companionship of the commercial culture, as people learn to benefit from the knowledge, the prosperity and enterprise of their neighbours (Jacobs 1992). In contrast, coordination by government favours the formation of factions and coalitions, in which power and coercion, winners and losers, are the name of the game. In politics, 'winner takes all' and uniformity prevails. It should be noted here that socialism and the suppression of markets in

Policy dialogue

Sri Lanka and the former Soviet Union paved the way for subsequent racial polarisation and civil war.

Small government

A flourishing market order requires small, rule-bound government. Collective action should concentrate on protecting property rights and the freedom of contract, avoiding all favouritism and discrimination. Once most coordination of social and economic life is left to markets, the prize of holding political office is of limited material value to those who win (temporary) control of government. Politics is then not so divisive.

Market coordination is an effective way to economise on scarce administrative talent and the government's limited resources. Markets are also effective controllers of corruption and a training ground for the skills and attitudes that the Fijians will need to earn their place in the global economy.

At independence, Fiji unfortunately inherited a rather statist colonial tradition of benign and centralised government. In the *Mara* era, government was made to produce and provide a large variety of services and to act as the arbiter between ethnic Fijians, who owned most land and were relatively poor, and the Indo-Fijian population who had most business, professional and farming skills and leased the land for export crops, most notably sugar. It is now obvious that big, central government is not part of the solution. It is part of the problem.

Hand back land rights to the Fijian owners

In any culture a most essential component of the economic constitution is the protection of property rights, that is, the rights to use, benefit from and dispose of the assets one owns. In traditional and developing societies, property in land is the key to development

and modernisation. Where farmers have full, legally enforced property titles, they are able to mortgage the land, raise credit, become self-reliant and entrepreneurial, and participate fully in the venture of modernisation. Their sons and daughters can benefit from land ownership to equip themselves for urban and professional careers. Where, by contrast, private property titles are negated or insecure, they remain excluded, breeding resentment, discord and stagnation. Property rights matter in all cultures.

When Marxist theorists declare land 'inalienable' and denigrate the 'commodification of land', they argue in reality for denying poor, traditional villagers their most promising access to the modern world and to freeing themselves of their poverty. Modernising the land titles system and the economic constitution does not mean that people have to jettison their culture, only that they adjust their traditional institutions to gain more useful knowledge, which creates the material means to realise their diverse aspirations better.

Fiji's current land rights system does not meet the basic requirements of progress and justice. It may well have been sensible in an earlier age to protect Fijian clans and villages from exploitative or deceitful land buyers (as well as autocratic land use by some chiefs prior to Cession). Although Fijians still own about 83 per cent of the land essentially through family groups, clans or clubs (*mataqali*), they cannot make self-responsible use of their own property. Removing government controls from Fijian land ownership is central to future prosperity and social harmony.

Customary small-group ownership, similar to the *mataqali* system, works successfully in many parts of the world, but on two conditions. First, the owners must face the full costs and benefits of their decisions when deciding what to do with their assets. Second, they need to have clear internal arrangements how to make decisions

Policy dialogue

and share benefits and losses. These essential conditions are not given in the case of Fijian land, at least not since Fabians in the colonial government under Atlee in the 1940s subjected Fijian land rights to the intrusive controls of the Native Land Trust Board (NLTB). This amounted to a *de facto* socialisation and part-expropriation of tribal land. Such administrative control does not make economic sense at the start of the 21st century. It prevents Fijians from evaluating, intelligently and responsibly, the costs and benefits of alternative uses of their patrimony. Land controls have been a source of serious friction and keep most Fijians in poverty, outside Braudel's 'glass bell'. They feel disenfranchised, and Indo-Fijian tenants experience great insecurity. The system makes for racial conflict and conflict with government.

Fiji's land controls turn government into a huge political prize and a focus of discord. Indian sugar farmers want government to fix low land rentals and long tenure (and to negotiate inflated sugar prices with the European Union); Fijians want government to raise land rentals and cut the NLTB's high administration fees. Such economic conflicts are of course ubiquitous. They are best solved by removing opportunistic politicians and apathetic bureaucrats from the equation, letting instead the owners and tenants negotiate directly with each other. Market prices make good neighbours.

A key part of moving to modest government should therefore be the removal of all bureaucratic control of Fijian land and the return of full property rights to the *mataqali* owners.

Globalisation and constitutional constraints of government

Many of the tasks of government that cannot be privatised can be devolved to the local government level, so that diverse local solutions can be found and tested. The model

of 'competitive federalism', which is gaining ground in many parts of the world, recommends itself to a diverse and geographically spread-out nation like Fiji (Kasper 2000a, Kasper and Streit 1998).

All around the world, small, cohesive and well-governed local communities are now attracting much mobile capital, expertise and enterprise—and thrive. In turn, local identity and cohesion in small jurisdictions benefit enormously from globalisation (Naisbitt 1986). Many of the powers of governance in Fiji—and, indeed, the very source of sovereignty—should therefore be shifted to small regional entities, which one might call 'cantons'. Cantons could be organised at the local, district or provincial level, based on traditional and existing bounds and discontinuities and including residents of all races.

This would reflect the traditions of pre-colonial Fiji, including government by confederated tribes (*matanitu*). At the local level, traditions of village democracy and traditional allegiances can be drawn upon to control and inform local political choices. The various cantons would have to be self-reliant and free to compete with each other in offering different styles of administration. Many administrative problems could thus be decentralised and solved in different ways to suit local preferences. The system of 'competitive federalism' has worked well in nations such as Switzerland and the United States. The argument against entrusting much to local government, namely that there is little administrative talent at that level, is false. As soon as local government has meaningful tasks and autonomy, it attracts and trains good and dedicated administrators. In Fiji, where there are diverse local problems and where no one knows the solutions to the big national problems, the political and economic competition among cantons would be a promising discovery procedure for constructive administrative solutions.

Policy dialogue

It also seems necessary to limit the size of all governments. A new Fijian constitution should therefore contain formal constraints on the proportion of national and cantonal taxation and debts in production, similar to what Economics Nobel Prize winner James Buchanan has been advocating for the United States.

The power of politicians should be controlled further by the institution of citizen-initiated referenda. They give all voting citizens, irrespective of race and social standing, an active stake in political life and the right to overturn legislative and administrative actions. Direct democracy thus turns the people into the ultimate sovereign. Discrimination against a particular group is much less likely when all citizens have a direct say and therefore have to reflect on the many consequences of discrimination. Experience in Switzerland, the United States and other places shows that citizens tend to vote for less government and lower taxation, but for more education expenditure than occurs in jurisdictions without citizen-initiated referenda (Frey 1984, Frey and Eichenberger 1999).

Nowadays, computer technology offers cheap and flexible ways for citizens to vote in citizen-initiated referenda. Fiji could well leapfrog into the 21st century if tamper-proof computer terminals were installed in all primary schools and were made accessible after school hours to all resident voters.

Conclusion

These ideas will appear novel to many in the South Pacific. They may of course be rejected out of hand, either because they challenge traditional hierarchies and modes of exploitation, because they are not in accord with the prevailing Western and church paternalism, or because they fly in the face of Marxist ideology dear to many Third-World

academics. An alliance of these three strands of thought may indeed stand in the way of constitutional innovation. But the price for a refusal to contemplate the constitutional-economics lessons will be further backsliding, insecurity, fear and violence.

Note

To illustrate how the principles of a citizen-focused, 'race-blind' constitution could be incorporated, the author has drafted a short 'greenfields constitution' for Fiji. A copy of this draft can be obtained, free of charge, from the Public Affairs Officer, Centre for Independent Studies, PO Box 92, St Leonards NSW 1590, Australia, or by e-mailing rjarasius@cis.org.au.

References

- Bauer, P.T., Siwatibau, S. and Kasper, W., 1991. *Aid and Development in the South Pacific*, Centre for Independent Studies, Sydney.
- Frey, G.B., 1984. 'Direct democracy: politico-economic lessons from Swiss experience', *American Economic Review*, 84(2):338–48.
- Frey, B. and Eichenberger, R., 1999. *The Democratic Federalism of Europe, Functional, Overlapping and Competing Jurisdictions*, Edward Elgar, Cheltenham UK and Northampton, US.
- Hayek, F.A., 1998. *The Fatal Conceit: the errors of socialism*, Chicago University Press, Chicago.
- Jacobs, J., 1992. *Systems of Survival*, Random House, New York.
- Kasper, W., 1997. 'Transitions and institutional innovations, reflections on the current economic crisis', *Malaysian Journal of Economic Studies*, Jun–Dec:5–14.
- , 2000a. *Towards Racial Harmony. A New Constitution for Fiji*, Issues Analysis No 19, Centre for Independent Studies, Sydney.

Policy dialogue

- , 2000b. 'Learning racial harmony, Fiji needs new constitutional rules', *Policy* (Autumn).
- , Bennett, J. and Blandy, R., 1988. *Fiji: opportunity from adversity?*, The Centre for Independent Studies, Sydney.
- Kasper, W. and Streit, M.E., 1998. *Institutional Economics—Social Order and Public Policy*, E. Elgar, Cheltenham, UK / Northampton, MA.
- Naisbitt, J., 1986. *Global Paradox—The Bigger the World Economy, the More Powerful its Smallest Players*, Allen & Unwin, Sydney.
- O'Driscoll, G. et al., 2001. *2001 Index of Economic Freedom*, Heritage Foundation, Washington, DC and *Wall Street Journal*, New York.
- Rabushka, A., 1974. *A Theory of Racial Harmony*, University of South Carolina Press, Columbia.
- Soto, H. de, 2000. *The Mystery of Capital: why capitalism triumphs in the West and fails everywhere else*, Basic Books, New York.
- Sowell, T., 1983. *The Economics and Politics of Race, An International Perspective*, W. Morrow & Co, New York.
- Walker, G. de Q., 1987. *Initiative and Referendum: the people's law*, The Centre for Independent Studies, Sydney.
- World Economic Forum (WEF), 2000. *Global Competitiveness Report 2000*, WEF, Geneva.