

Have we Forgotten the Rural Areas?

In 1981 Michael Lipton from Sussex University wrote a book entitled “Why the Poor get Poorer...”. This work caused quite a stir, particularly treading on the toes of prevailing development theories, both market economists favouring “trickle down” from market-driven growth and Marxist economists, perceiving a struggle between owners of capital and workers.

Socialist economics was very influential in developing countries in the 1970s/ early 80s, particularly before the fall of the Berlin wall, and the failure of the so-called socialist economies of Eastern Europe. These relatively rigid economies were stagnating, with their state-controlled enterprises lacking the dynamism and capacity to deliver goods and services efficiently. In comparison the apparent anarchy of the ‘free market’ tends to operate relatively efficiently in meeting supply and demand, with investment decisions made by vast numbers of investors and consumers. In the late 1970s China, under Deng, recognised the need to adopt market ways to get its economy moving, well ahead of the former Soviet Union, although China retained firm central political control in contrast to Russia’s (initial) focus on greater political freedom under “Perestroika”.

From the late 1980s the free market was almost universally accepted as the only efficient mechanism for meeting demand and managing land, labour and capital. That left only oddities like North Korea, resisting the free market for both goods and ideas, and in turn incessantly suffering incapacity to meet even basic food requirements for their population, whilst committing disproportionate resources for selected activities, including military expenditure.

There remained many variations of the “market”, with various European countries, for example, retaining a larger role for the State, in delivering health services (more fairly and at lower unit cost than in the USA). However, for a while there seemed almost a blind trust in the market, with the State seen as having virtually no role in an operational economy.

Yet, particularly since the industrial revolution it was recognised that unsupervised markets can become readily distorted. Markets must be kept competitive, resisting tendencies towards dominance by a single supplier or through companies colluding (e.g. price fixing), either on domestic or international markets. Applying laws to prevent anti-competitive behaviour, such as through ICCC in PNG and WTO at an international level is critical.

It was also recognised that in minimising costs businesses might provide unacceptably poor employment conditions, when there were ample supplies of labour, and that rules were needed to protect the labour force from exploitation by unscrupulous employers. All countries have introduced labour laws, though standards vary considerably. Similarly, rules and standards, including market-based mechanisms (e.g. taxes/ excises) have been introduced to discourage wasteful natural resource use, quotas on fisheries harvests,

restrictions on wasteful by-catch or burning-off gas, encouraging lower energy use and introduction of more fuel-efficient cars.

The State, or international bodies, representing wider community interests, introduces these rules or mechanisms to achieve various policy objective, including keeping markets more competitive, preventing resource stocks being exhausted, or extending the life of the finite resources, like hydrocarbons (e.g. oil). It's often argued that the market can perform these functions more efficiently than having bureaucrats or politicians interfering clumsily. Generally this is true, and certainly the State has no role in trying to run businesses, or granting selected businesses exclusive market access or franchises. Such practices make some individuals (including in government) very rich, but experience has demonstrated in PNG and overseas that State-owned monopolies in utilities and other potentially commercial service (e.g. telephone/internet/electricity provision) has pushed up prices, and resulted in inadequate and unreliable services for households and businesses alike, restraining the country's economic and social development, especially for rural areas.

The State does, however, have functions which it must provide, but should perform in an undisruptive manner. Using automatic market mechanisms and clear rules is preferable to granting officials discretionary powers. Effective enforcement requires transparent mechanisms, including opportunities for appeal. Vehicle inspections rarely reduce the prevalence of substandard vehicles, seeming merely to enrich officials, whilst the automation of Customs clearance, for example, using ASYCYDA++ reduces opportunities for Customs Officials to strike deals with traders, which would deprive the State of revenue and allow importation of dangerous goods or export of prohibited goods.

Lipton's book argued that the 'struggle' is not between owners of capital and the workforce, although there are clearly winners and losers. Such distinctions have faded in many countries, although we've spawned a generation of super-rich benefiting from low tax rates and rewards from a globalised economy. Employees themselves are now some of the largest investors in equity and property, including through superannuation schemes. Lipton instead observed that the urban population shares many facilities and needs, despite some different interests. He argued, therefore, that urban dwellers, whether politicians, businessmen, employees or trades union leaders, had the common interest of seeking infrastructure and other services in their towns, and became increasingly remote from the rural areas, which they may represent or come from.

PNG prides itself as being a nation of landowners, retaining firm links with home provinces and villages. Certainly those links remain strong for some, and many remit funds home, or help market produce grown by relatives back in the villages. But, despite the commitment in the Constitution to equity and opportunities for men and women across the nation, PNG is becoming increasingly divided. There has long been a dual economy between relatively boom industries, notably minerals, and the largely stagnant agricultural sector (apart from fresh produce and oil palm, and brief spice booms) which still employs the majority. But the divide between our main towns and rural areas has

been growing, with people from rural areas becoming increasingly second-class citizens, with substandard infrastructure and services. This is being highlighted in the entry to universities, with the places increasingly filled by (and scholarships awarded to) those from towns, where the best private and public schools are found and students have access to books and media. We are creating a rural underclass, with tertiary students also losing any link to rural areas or local languages.

This is to partly inevitable, but why is government failing so badly to provide those goods (infrastructure) and services most needed in rural areas? Partly because government itself has become so remote from those areas and their needs. It doesn't need to be like this. In a world where modern communications can be delivered increasingly cheaply, through private investment and competition, government has no excuse to hold back opportunities for our rural students and whole communities. Government should restore roads and put books back in schools (and give scholarships to the relatively deprived), not depend on donors to provide most essential provisions (for schools and health), but get off their pedestals and deliver them themselves, in partnership with churches, NGOs and private sector.

Government should stop preaching to donors, private sector and others, and get its own house in order. The state of infrastructure and services, and PNG's poor educational and other social indicators, are a national disgrace, especially considering the strong export earnings and revenue the country's now enjoying. It's a case of prioritisation, between over-priced urban highways, big cars (government plane) and whopping pay packages, or providing the basic services and opportunities which the population in both our villages and towns need and deserve.

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