

RETHINKING DEVELOPMENT IN THE PACIFIC ISLANDS FORUM COUNTRIES

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Islands of the Pacific Ocean number in the many thousands. This essay focuses on a subset of islands, namely those—save Australia and New Zealand—belonging to the independent political entities gathered in the Pacific Islands Forum (PIF). With a handful of economic concepts and indicators I show that, as a conventionally conceived economic proposition, the islands have to be “written off.” Modern expectations in regard to cost competitiveness in production and high standards of living in consumption are incompatible goals for the islands to reach. The islands are not viable economies, and its peoples are likely to remain the permanent economic dependents they are, relying on fickle aid from well-off peoples and their policymakers located far away from the islands. Nonviable economies invite unstable polities and ruptured cultures. Strangely, in all this there lies hope in that rethinking the nature, meaning, and practice of development may offer feasible alternatives to reconstitute otherwise failing societies. Potentially, the islands could become a unique laboratory for trying out new ideas of what it means to live a dignified, self-reliant, self-sustaining, satisfied, and happy human life.

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1. The Fundamental Economic Problem

In alphabetical order, the full member states of the Pacific Islands Forum (PIF) are the Cook Islands, Fiji, Kiribati, the Republic of Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu. All are very small, very distant, and very dispersed relative to Papua New Guinea which, although the largest of the lot, itself is a small country by population and economic heft. These facts alone ensure that in comparison to most of the rest of the world viable economies

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of scale and density (agglomeration and network effects) cannot be achieved, not even in theory. While the peoples of many African countries presently are equally poor, they at least have the potential for scale (in production and in transport) and agglomeration economies. Their problems are primarily policy problems rather than the result of fundamental economic constraints. For example, at about 9 million people, the population of Nigeria's biggest city alone, Lagos, handily exceeds the population of the whole of Papua New Guinea (about 7 million), which is by far the largest of the island nations. Fiji, the next largest, has a total population of less than one million people and Suva, its capital, and the Forum islands' largest conurbation, numbers not even 200,000 people. In the United States, a city of this size probably accommodates no more than half a dozen shopping malls, and that would indicate the limits to any available economies of scale. The Cook Islands sport just 15,000 people, spread over 15 islands with a total land area of 240 km² and a maritime Exclusive Economic Zone (EEZ) of about 1.8 million km². This compares to Amsterdam's land area of 219 km² and about 780,000 people. Sudan's land area is 1.8 million km² and home to over 40 million people. Peru sports 1.3 million km² of land and 30 million people.

The contrast of PIF states to member states of the Caribbean Community further illustrates that the PIF states face fundamentally different economics (see Table 1). Sometimes equally small, the Community states include more mainland-based countries, such as Belize, and are more richly sprinkled with U.S. possessions and remnants of European colonialism (Dutch, French, Spanish, and British) such that the number of actual *sovereign island* states is small. As a group, they are much closer geographically to the major land masses of North and South America, affording easier access to tourism, part- or full-time retirement living, and to serve as offshore financial harbors within easy reach. Thus, while about 30 million Australians and New Zealanders may consider to vacation on one of the Forum islands, the southeastern U.S. states of Alabama, the Carolinas (North and South), Florida, Georgia, Tennessee, and Virginia alone pack more than twice as many potential customers (65 million), and at far shorter travel distances. Well-off Mexicans, Colombians, Venezuelans, and Central Americans add to the total, at even shorter distances. While the economic development prospects of the full (island) members of the Caribbean Community may not be overly good, they would seem far superior to those of the Forum states. Indeed, Table 1 reveals that, Haiti excepted, the poorest of the Caribbean Community countries is Belize. Its per capita gross national income (GNI) of I\$7,339 (in constant 2011 international or purchasing power parity dollars) would rank as the third-*highest* were it located among the Forum countries, just ahead of Fiji. The average 2014 Human Development Index (HDI) score for the Forum countries is 0.64 whereas the Caribbean Community scores an average of 0.72. Scores between 0.7 and 0.8 are deemed to stand for "high" human development; those between 0.55 and less than 0.7 are "medium"; and those below 0.55 are "low." Of the 14 Forum members, no HDI scores are even computed for 5 of them; the other 9 split into 2 "high," 5 "medium," and 2 "low" HDI countries. In contrast, 12 of the 15 Community countries score "high" in human development, and one each are in the "medium," "low," and "not available" categories. Although international organizations aggregate numbers for Forum, Community, and other island states into a Small Islands Developing States (SIDS) rubric, clearly serious differences exist within this grouping.

Table 1: Pacific Islands Forum and Caribbean Community Countries Compared

Country	Population (2011)	GNI per capita 2011 (in 2011 IS)	HDI (2014)	Country	Population (2011)	GNI per capita 2011 (in 2011 IS)	HDI (2014)
Cook Islands	11,124 ^a	9,100 ^{a,b}	n/a	Antigua & Barbuda	88,152	19,290	0.783H
Fiji	867,327	7,261	0.727H	Bahamas	366,711	21,987	0.790H
Kiribati	104,662	2,216	0.590M	Barbados	280,602	14,953	0.785H
Marshall Islands	52,541	4,272	n/a	Belize	329,193	7,339	0.715H
Micronesia	103,476	3,535	0.640M	Dominica	71,402	9,973	0.724H
Nauru	9,322 ^{a,b}	5,000 ^{a,b}	n/a	Grenada	105,070	10,766	0.750H
Niue	1,311 ^a	5,800 ^{a,c}	n/a	Guyana	755,883	6,055	0.636M
Palau	20,606	12,495	0.780H	Haiti	10,144,890	1,570	0.483L
Papua New Guinea	7,001,172	2,245	0.505L	Jamaica	2,699,838	8,177	0.719H
Samoa	187,434	5,468	0.702M	Montserrat	5,140 ^a	8,500 ^{a,d}	n/a
Solomon Islands	537,648	1,499	0.506L	St. Kitts & Nevis	52,998	19,734	0.752H
Tonga	104,392	5,184	0.717M	St. Lucia	179,278	10,376	0.729H
Tuvalu	9,844	5,124	n/a	St. Vincent & the Grenadines	109,341	9,683	0.720H
Vanuatu	241,876	2,829	0.594M	Suriname	523,439	14,849	0.714H
				Trinidad & Tobago	1,334,790	26,017	0.772H
Sums/averages	9,252,735	5,145	0.640M		17,046,727	12,618	0.719H

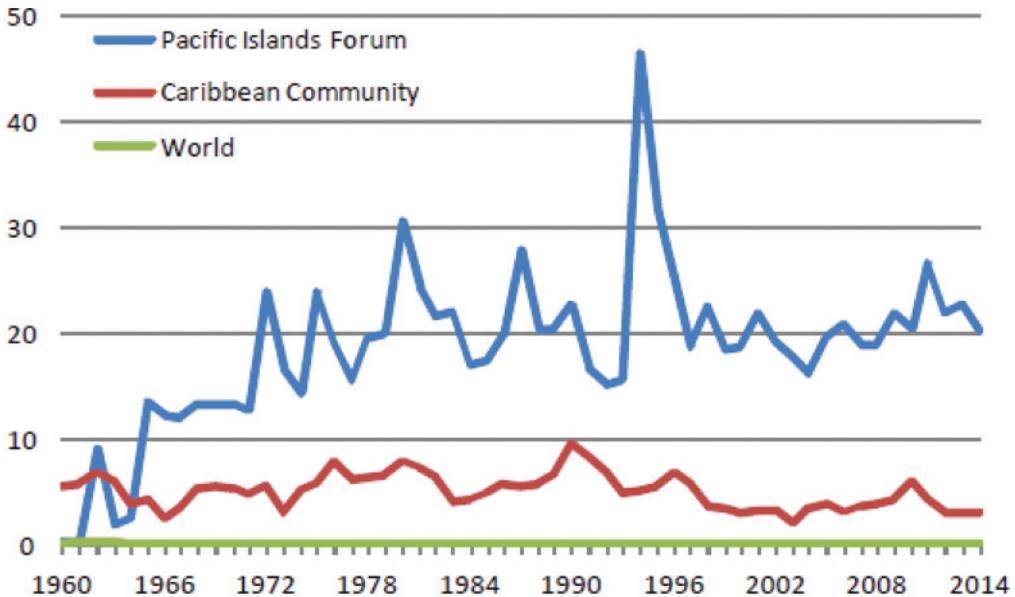
Sources: World Bank Development Indicators online; Human Development Indicators online; Index Mundi online.

Notes: Only full member countries are listed. Thus, Pacific Islands Forum for example excludes Australia and New Zealand.

^a Taken from Index Mundi; ^b 2005; ^c 2003; ^d 2006. H, M, and L stand for “high,” “medium,” and “low” human development, respectively, as by the Human Development Indicators reckoning.

Individual Forum countries do appear to do quite well, relatively speaking, such as Palau with per capita GNI of I\$12,495 or the Cook Islands, with I\$9,100. (Actually, these numbers can vary drastically even across official sources.) Palau’s relative prosperity does, however, point to severe dependencies which suggest that viable, sustainable, and stable economic growth is unlikely. Its economic mainstays are scuba diving/snorkeling-based tourism, fishing, and subsistence agriculture, of which only the first generates serious income flows but is subject to global economic fluctuations (as long-distance leisure travel reflects discretionary spending) and to very serious long-term climate change that threatens not only to destroy coral reefs and hence the tourism base but threatens to flood the very islands themselves. Cook Islanders have dual citizenship (with New Zealand, as do the people of Niue) and thus possess an escape hatch unavailable to other Forum members. Like Palau, the country relies economically on the vagaries of tourism (about two-thirds of GDP) and on foreign aid flows. Over the past thirty years or so, the Cook Islands have ventured into offshore financing—and have come under global regulatory pressure in this regard—but this amounts to a fairly small contribution to national income (less than 10 percent). Kiribati, another seemingly “well off” PIF member, likewise relies on fickle tourism, some worker remittances, and large foreign aid contributions. Worker remittances do play an important role in many economies—for Mexico, Bangladesh, and

the Philippines, say—but carry cultural costs, for example in terms of creating splintered and disrupted home communities left behind. Some islands have seen net emigration of indigenous peoples, gradually swapping out the local poor in an exchange for the foreign rich who can afford tropical island living and/or tourism. Where it not so needed, foreign aid supplies an almost absurd percentage of the islands’ gross national income, fluctuating around 20 percent annually for the past 40 years or so (see Figure 1). In contrast, the corresponding percentage for the Caribbean Community has declined from a high point of half that in 1990 to half that again (that is, to about 5 percent) by 2014.



Source: World Bank, World Development Indicators. <http://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS> [accessed 14 June 2016].

Notes: Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It includes loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent).

Figure 1: Net Official Development Assistance (ODA) received as percent of Gross National Income (GNI), 1960-2014.

2. Why Traditional Economic Prescriptions are Unlikely to Work

Traditional macroeconomic policies and descriptions seem largely irrelevant to the Forum countries. Independent monetary policy is off the table for a number of them as they have adopted the U.S., Australian, or New Zealand dollars. Given the size of the foreign aid budgets, traditional fiscal policy likewise would seem to be rather less relevant. Macroeconomic policy is, at any rate, a tool of short-term economic stabilization and thus no substitute for long-term growth policy, even though many policymakers the world over seem to treat it that way. Trade policy of course relies on tradeable goods and services.

The islands' main export used to be natural resources. The exploitation of such resources has often led to conflict, even severe violent conflict, for instance in Bougainville, Papua New Guinea (see Section 3). Today, many of the islands' natural resources are depleted, often having left behind deep environmental scars. Nauru, for example, suffered from extensive strip-mining for phosphate (and a large number of associated ill-considered ventures; see Economist 2001), with little to show for it. Fiji's sugar economy, once so promising and thriving that the colonial master—Britain—brought in a supplementary labor force from its Indian possession, is not competitive on the world markets. Fijian sugar fetches up to four times the world market price under preferential market access to Britain but this is due to expire in 2017, leaving Fiji bereft of markets (NAR 2016). Similarly, its textile exports have collapsed with the expiration of preferential access provisions to world markets. The main export today is tourism services. The currency thus earned, however, largely goes to pay for the infrastructure, supplies, and luxurious amenities tourists expect. Infrastructure—seaports, airports, paved roads, water and sanitation, telecommunications, and so on—needs to be built, of course, but ultimately flounders on the geographies of the islands. For example, it is unlikely that sensible economies, measured for instance as dollar-cost per road kilometer per user (\$/km/user), can ever be attained as compared to Western Europe or Australia, say, as the fixed cost of shipping in equipment and supplies can only be distributed over a fairly small number of road kilometers.

In a word, even an ideal-type implementation of traditional economic development policies (sound money, low-cost regulatory burdens, an FDI-friendly policy environment, dedicated infrastructure development, etc.) will not overcome geographic isolation and dispersion. The theory of international trade, so useful in other respects, relies on specialization and scale effects no longer available to the Forum islands. Indeed, the Krugmanian revolution in trade theory has brought economic geography back to the fore. Further, the development of human capital clusters relies on economies of density unavailable to the islands, and average world manufacturing and container-based shipping costs have plummeted due to economies of scale of such huge proportions that the islands' small, distant communities cannot compete. The realities of today's global goods trade thus impose negative externalities on the islands and raises a deep theoretical question about exchange theory. Negative externalities also result from global production and consumption patterns in the form of climate change that threatens the wholesale flooding of the islands. Meanwhile, the global services trade is, for the islands, overly dependent on customers from (primarily) Australia and New Zealand. As tourists stream in, many locals stream out. They provide remittances, which are the second-largest foreign exchange earner for Fiji for instance. All this earns praise from economists at the International Monetary Fund (IMF 2014) but clearly is not viable economically, politically, or culturally.

Regarding economic growth policy, then, many of the traditional options discussed by economists, international organizations, and policy makers, are not applicable to the islands. Even development projects aimed at supporting education, health, social services and the like, projects that ultimately build up human and social capital, cannot overcome adverse geography. In a word, the prospects for traditionally conceived economic advancement are dim. When even the *theoretical* potential for traditional economic development based on

economies of scale and density is so limited, the question arises what sort of alternative to envision, how to implement it, and how to go about measuring it (see Section 4). One political option is probably off the table from the start: Virtually all sovereign states contain localities, often but not always rural in nature, that are near-permanent net subsidy recipients and are financed by the remainder of the nation-state. The Pacific Islands Forum states face such a situation collectively. Presently, they are net subsidy recipients from the rest of the world, but—being nominally sovereign—with far less of a political claim to the largesse of the rich. In the end, they can only appeal to the humanity of the rest of the world. Much better if an alternative economy could be created that would make the islands less reliant on charity.

3. Violence and Poverty

As if the economics of the situation were not bad enough, a good number of the Forum states have also faced serious outbreaks of interpersonal and collective violence, Papua New Guinea, the Solomon Islands, and Fiji being perhaps most prominent cases among them. Johan Galtung famously distinguished between “negative” and “positive” peace, the former indicating the mere absence of violence, which is not necessarily equivalent to attitudes, structures, and behaviors that promote peace and help prevent violence. For reasons of data paucity, the Sydney-based Institute for Economics and Peace, however, does not report on Pacific island states, save Papua New Guinea, in its *Global Peace Index 2016* publication. Despite the absence of complete information along all the dimensions of the Index, it is clear that the islands are far from pacific. Quite apart from large-scale political upheavals, revolts, and civil wars, other forms of violence also are prevalent. According to the Human Rights Watch’s *World Report 2015* (HRW 2015), Papua New Guinea is ranked as among the most dangerous places in the world to be female, for instance. (To its credit, in its 2015 MDG Tracking Report, the PIF Secretariat made a special effort to report on gender-related deprivation and violence; see PIFS 2015.) And while intentional homicide rates per 100,000 people in Australia and New Zealand were 1.0 and 0.9, respectively, the rates are rather much higher in the Forum countries (Cooks Islands, 3.1; Fiji, 4.0; Kiribati, 8.2; Papua New Guinea, 10.4; Solomon Islands, 4.3; Vanuatu, 2.9; Micronesia, 4.6; Nauru, 1.3; Palau, 3.1; Niue, 3.6; Samoa, 3.6; Tonga, 1.0; and Tuvalu, 4.2; with data mostly for 2012 and 2014; see UNODC 2014). Granted, these rates are much lower than those afflicting the populations of Caribbean and Central American states (and, given the small population base, can be heavily skewed by even a single intentional homicide) but nonetheless are indicative of levels far higher than those of the relatively peaceful and prosperous Australia, New Zealand, and Western Europe. In fact, the Forum states collectively outscore even the murderous United States, which clocks in at a homicide rate of 3.8.

Conflict also manifests itself in other ways, most prominently probably over mining- and other natural resource extraction-related businesses, and the associated contest over the capture of land and marine resources and over natural resource rents, and less prominently perhaps over the vast amount of foreign aid channeled through government coffers. Poverty rates and rates of deprivation among the ordinary population are stunningly high.

For example, while 47 percent of the population of developing countries lived in “extreme poverty” in 1990, only 14 percent did so in 2015, a much-heralded success of the United Nations’ Millennium Development Goals (MDGs) agenda, in this case Goal 1. However, in the Forum states, only 2 of the 14 countries were on track in 2015 to achieve sub-goals 1A and 1B and eight for sub-goal 1C (PIFS 2015). The overall “on-track” performance across all 16 goals and sub-goals is just 52 percent (see Table 2, computed from data in PIFS 2015). PIFS writes that “only two countries [achieved] all the MDGs (Cook Islands and Niue), three countries achiev[ed] at least half of the MDGs (Fiji, Palau and Tonga), while the rest of the countries achieved less than half of the goals, with three countries not achieving any of the MDGs (Kiribati, PNG and Solomon Islands)” (PIFS 2015, p. 15).

Table 2: Pacific Islands Forum Members’ Millennium Development Goals Performance, 2015

	1A	1B	1C	2A	3A	4A	5A	5B	6A	6B	6C1	6CII	7A	7B	7C	7D	Sum
Cook	3	3	3	3	3	3	3	3	3	n/a	n/a	3	3	3	3	3	42
Fiji	2	1	3	3	3	3	3	3	1	3	n/a	3	3	3	3	2	39
Kiribati	1	1	1	1	2	2	2	2	3	1	n/a	1	3	2	1	1	25
Marshall	1	1	1	2	3	3	3	2	3	3	n/a	1	2	2	1	1	29
Micronesia	1	1	1	2	3	3	1	2	3	3	n/a	1	3	3	2	n/a	29
Nauru	1	1	2	3	3	2	3	2	3	n/a	n/a	3	1	1	2	n/a	27
Niue	3	3	3	3	3	3	3	3	3	n/a	n/a	3	3	3	3	n/a	39
Palau	2	2	3	3	3	3	3	3	3	3	n/a	3	3	3	3	n/a	40
PNG	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16
Samoa	1	2	3	3	3	3	3	1	2	3	n/a	3	3	3	2	n/a	35
Solomon	2	1	3	2	1	1	2	1	2	3	3	2	1	1	1	1	27
Tonga	1	1	3	3	3	3	3	2	3	3	n/a	3	3	3	3	n/a	37
Tuvalu	1	1	3	2	3	3	3	2	2	3	n/a	3	3	3	2	n/a	34
Vanuatu	2	1	2	2	3	2	2	1	3	3	3	3	1	1	2	1	32
% max. points ¹	52.4	46.7	76.2	78.6	88.1	83.3	83.3	66.7	83.3	87.9	77.8	78.6	78.6	78.6	69.0	47.6	
% on track ²	14.3	14.3	57.1	50.0	78.6	64.3	64.3	28.6	64.3	81.8	66.7	64.3	64.3	64.3	35.7	14.3	51.7
% mixed ³	28.6	14.3	14.3	35.7	7.1	21.4	21.4	42.9	21.4	0.0	0.0	7.1	7.1	7.1	35.7	14.3	17.4
% off track ⁴	57.1	71.4	28.6	14.3	14.3	14.3	14.3	28.6	14.3	18.2	33.3	28.6	28.6	28.6	28.6	71.4	30.9

Notes: ¹ PIF (2015) assigns scores of on-track, mixed, and off-track. These are quantified here as 3, 2, and 1. Thus, for Goal 1A, the maximum number of points is 14 countries time 3 points, or 42 points. The actual sum achieved in 22, hence the percentage, reported in the Table, is 52.4%. “n/a” in the Table refers to cases where the scores are not available or not applicable. ² For Goal 1A, 2 of 14 countries are “on-track,” for a percentage of 14.3%. ³ Similarly, 4 of 14 countries show “mixed” success, for a percentage of 28.6% of the countries. ⁴ Finally, 8 of 14 countries are “off-track,” for a percentage of 57.1% of the countries, and similarly for all the other goals and sub-goals. The goal categories are as follows: 1: Reduce poverty; 2: Increase education; 3: Increase gender parity; 4: Reduce infant mortality; 5: Increase maternal health; 6: Reduce disease incidence; 7: Improve environmental living conditions. For details, see PIF (2015).

4. Toward Viable, Self-Reliant, and Self-Sustaining Economies

What can be done in a setting of poverty, violence, and economies of scale and density that do not permit global competitiveness? Can the islands become latter-day imitations of

Hong Kong, Macau, or Singapore, that is, financial centers and gambling venues? Can they transform themselves into internet-based or call-center service economies? The answer is no, on both counts. Even if levels of educational attainment and sophistication were ramped up to sufficient levels in an unrealistic short number of years, the incumbents have well-entrenched market positions which they would defend, and they have many more billions of dollars available to defend them. Can the islands become havens of ocean-related, advanced economic and political technologies—development of underwater cities, offshore current-generated electric power stations, or the offering of long-term leases of parts of their Exclusive Economic Zones (EEZs) to artificial, new sea-based sovereign states (“sea-steading”)? All unlikely. Sea-steading would just bring in (contests over) rents, not promote production, and there is no particular reason why such communities would park themselves inside an EEZ and pay rents to begin with. The other ideas require highly educated hi-tech personnel, and manufacturing at scale would be far better done in places like Japan or South Korea. Could the islands become vast nature parks, not unlike Aruba, Bonaire, and Curacao in the Caribbean? Yes, but again this depends on the economies of transport to bring in well-heeled tourists.

In truth, the reality of the situation is economic failure. What to do in the face of failure? If, say, Nauru were a private corporation, its shareholders would remove the current Board of Directors and/or senior management, bring in new leaders, perhaps shelter under bankruptcy protection law, and restart. Yet given the economic strictures laid out before, any restart is just a recipe for repeated cycles of failure and thus unlikely to attract capital to restart. Restructuring and recapitalization is not a viable option.

Alternatively, the corporation could submit to acquisition, either friendly or hostile. The overseas possessions of colonial powers (a hostile takeover) frequently have taken such an approach. The result is that the French subsidize, that is, underwrite the losses of, French Polynesia; the United States subsidizes Puerto Rico and Guam; and so on. Residents are free to move to the corresponding mainland but there they often are trapped in self-perpetuating migrant ghettos with little prospect of socioeconomic advancement either, akin to employees of a takeover target that, post-merger, feel lost in their new corporate environment. Something similar already is happening in New Zealand with Cook Islanders and other Pacific heritage peoples (“friendly acquisitions”). Thus, Statistics New Zealand (SNZ 2010, p. 11) reports that, in 2006, Cooks Islanders in New Zealand were nearly three times as numerous (58,008 people) as those remaining on the home islands (21,388). Their socioeconomic status in New Zealand, however, does not recommend population acquisition as a strategy to deal with the Forum members’ problems. To cite one just example: “Pacific peoples are disproportionately represented in lower socio-economic areas, have lower incomes, and have higher levels of unemployment. A greater proportion of Pacific children and young people live in over-crowded households ... Pacific peoples are exposed to higher levels of health risks and unhealthy behaviours, such as obesity and poor nutrition. Smoking patterns in young people are a key predictor of adult smoking patterns and future smoking-related disease. Both adult and child smoking rates among Pacific peoples are higher than those of Europeans. Smoking is the leading contributor to death in the Pacific population. Pacific peoples drink less overall but are more likely to

drink in a hazardous fashion. Similarly, they are less likely to gamble, but when they do, are more likely to be ‘problem gamblers’ and experience more severe gambling-related harm” (SNZ 2011, pp. 10-11 of PDF file). Not altogether dissimilar findings apply, for example, to Fijian-born populations—both indigenous and Indo-Fijians—in the state of Queensland, Australia (QAUS 2011).

Corporations have a final alternative. It is to acknowledge defeat, fail, and lay off its employees. Even such dismal prospect is, however, unavailable to populations of sovereign island states. They cannot lay themselves off.

If none of the traditional alternatives work, one must think of totally new options.

The PIF vision statement

Founded in 1971, the Pacific Islands Forum sports a permanent secretariat located in Suva, Fiji. A vision statement, issued by the countries’ leaders in April 2004, reads as follows (Leaders 2004):

- “Leaders believe the Pacific region can, should and will be a region of peace, harmony, security and economic prosperity, so that all of its people can lead free and worthwhile lives.
- We treasure the diversity of the Pacific and seek a future in which its cultures, traditions and religious beliefs are valued, honoured and developed.
- We seek a Pacific region that is respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values and for its defence and promotion of human rights.
- We seek partnerships with our neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all.”

In business school, students learn about a straightforward 5-step process in regard to strategy. Step 1 indeed includes the formulation of a *vision*. This is supposed to be aspirational and inspirational (forward-looking and motivating all persons related to the enterprise). Certainly, the first of the four statements in the PIF vision qualifies on that score. Step 2, however, requires the setting of specific, measurable, and timely *performance objectives*. In business, this might mean “winning x percent market share by year y ” (as an example of a strategic objective) or of “achieving x percent return on equity by year y ” (as an example of a financial objective). The UN Millennium Development Goals (MDGs), mentioned previously, are a good example of such specific, measurable, and timely performance objectives. The UN’s follow-on program, the Sustainable Development Goals (SDGs), similarly are fairly specific (across 17 dimensions and 169 sub-goals or “targets”), measurable (for the most part), and timely (they are to be achieved by the year 2030). In the case of PIF, however, the goals are not specific, not measurable, and not timely. They read as follows (www.forumsec.org/pages.cfm/about-us/mission-goals-roles/; accessed 19 June 2016):

“Our goals are to stimulate economic growth and enhance political governance and security for the region, through the provision of policy advice; and to strengthen regional cooperation and integration through coordinating, monitoring and evaluating implementation of Leaders’ decisions.”

If, like the MDGs or SDGs, the PIF goals were specific, they would then invite the key question for Step 3: How does one go about achieving the goals? That is, what is the *strategy* to get from here to there? Steps 4 and 5 concern the *implementation* and the routine *monitoring* of progress, or lack thereof, so that corrective action can be taken and adjustments made where necessary or otherwise desired.

Strategy needs to be specific to the organization that sets it. It is one thing to have a worldwide, UN-level strategy for human betterment, quite another for PIF, let alone for PIF members. Indigenous capacity to formulate, execute, and monitor strategy is, in many instances, extremely limited by the dearth of well-trained personnel and finances. In 2013, external aid provided to PIF states amounted to some USD2 billion, about half of which came from Australia. Equivalent to per capita aid of about USD220, the highest for any region in the world (PIFS 2015, p. 40), the outcome evidently has been poor, at least when measured in terms of the MDGs, as reported earlier in this essay. In PIFS 2015 (p. 109 and elsewhere), there is recognition (even frustration) that the MDG and SDG goals and targets set at the UN level may not be entirely appropriate for regions such as the Pacific; evidently there is some negotiation going on among PIF, the UN, and various funding agencies over which goals to set, what to measure, and how to secure the means to measure progress.

An alternative

An alternative could start with reorienting aspirations for livelihood. Following on from the work of the Stiglitz Commission Report (Stiglitz, Sen, and Fitoussi 2009), Jones and Klenow (2016) have developed a “summary statistic for the welfare of a country’s population, measured as a consumption equivalent” (p. 2). By way of example, they write that

“GDP per person is markedly lower in France: France had a per capita GDP in 2005 of just 67 percent of the U.S. value. Consumption per person in France was even lower—only 60 percent of the U.S., even adding government consumption to private consumption. However, other indicators looked better in France. Life expectancy at birth was around 80 years in France versus 77 years in the U.S. Leisure was higher in France — Americans worked 877 hours (per person, not per worker) versus only 535 hours for the French. Inequality was substantially lower in France: the standard deviation of log consumption was around 0.54 in the U.S. but only 0.42 in France. Our welfare metric combines each of these factors with the level of consumption using an expected utility framework” (p. 2).

While income is obviously of value to fund consumption, so are health (life expectancy), leisure, and some degree of social cohesion (limits to income inequality). Jones and Klenow write that “[i]n our results, lower mortality, lower inequality, and higher leisure each add roughly 10 percentage points to French welfare in terms of equivalent consumption. Rather than looking like 60 percent of the U.S. value, as it does based solely on consumption, France ends up with consumption-equivalent welfare equal to 92 percent of that in the U.S.” (p. 2). They acknowledge that their approach suffers both from not considering morbidity (only using life expectancy as a measure of health) and not accounting for the “direct utility

benefits from the quality of the natural environment, public safety, or political freedom” (p. 5) all of which would seem rather more important for the Forum states. Unfortunately, Jones and Klenow neglect to indicate just how France, or other countries for that matter, get to the higher consumption-equivalent welfare. For Fiji, the only PIF country in their sample of 152 countries, for example, the ratio of consumption to income in 2007 is given as 1.165, presumably reflecting massive subsidies from outside Fiji. (Interestingly, the top-10 countries with a $C/Y > 1$ ratio include 6 island states, St. Vincent, Jamaica, Sao Tome and Principe, the Comoros, Fiji, and St. Lucia.) The 1.165 ratio, for household and government consumption combined, is based on the version 8.0 data of the Penn World Tables. Version 9.0, released in June 2016, reports a ratio of only 1.048 for Fiji, for the same year 2007. Moreover, for some developing countries, the PWT data are hard to interpret as in many instances the sum of consumption, investment, government expenditure, and net international goods trade does not equal the computed GDP measure. In the PWT v8.0 data that Jones and Klenow used, for example, the resulting residual for Fiji is over 16 % of GDP in 2007 (on PWT, see Feenstra, Inklaar, and Timmer 2015). The residual is due either to the service component of international trade or to the quality of the underlying national statistics (personal communication with Robert Inklaar, 26 June 2016).

These sorts of issues notwithstanding, Jones and Klenow at least continue to question just what to measure. What to measure depends on the performance goals one has in mind which, in turn, derive from one’s vision. Economists, especially, have long preached that “measurement without theory” (or, here, without a vision of life worth living) is vacuous. But policymakers and practitioners keep measuring, assuming that the underlying dominant economic theory (or vision) still applies.

For the Forum states, I argue, the vision must be rather different than that implied in orthodox economics. Orthodox economics is built on precepts that, if ever, no longer apply to the islands. Whatever economic aspiration the islanders may have, its achievement cannot be predicated on income earned from competitive cost-advantages based on economies of scale and density, cannot ignore the physical realities of biosphere changes—particularly the threat of rising sea levels—nor can it depend on permanent subsidies (foreign aid and remittances) from elsewhere. The voices of nonorthodox economists need to be resurrected. Rather many could be mentioned, and they include, for example, economists like Kenneth Boulding, perhaps the earliest prominent champion of ecological (and peace) economics, E.F. Schumacher, champion of “small is beautiful,” “appropriate technology,” and “Buddhist economics,” and Amartya Sen, champion of the capabilities approach to development, development that would permit people to expand their capabilities to discover, determine, and direct their own lives according to their own values. Interestingly, all three are philosopher-economists, technically trained yet thinking broadly about how economy, polity, culture, and nature interact.

Take, for example, Schumacher’s ideas in *Small is Beautiful* (1973). Schumacher was quite opposed to largeness, to scale for the sake of (as he saw it) false production efficiencies, to materialism-driven consumption, and to the removal of agency wherein people simply become cogs in a giant, culture- and nature-destroying capitalist machine.

Natural resources are not in unlimited supply. A materialist-based world economy, one that must forever grow, must therefore be a fantasy. He believed that “the agricultural industry” was a contradiction in terms, that agriculture could not possibly be an industry as agriculture is based on dealing with messy, unruly living organisms, the very antithesis of the lifeless, ordered precision of machines that rule industry. He famously championed “intermediate technology,” appropriate to the needs of local situations, and he advocated “production by the masses, rather than mass production.” Of course, Schumacher was challenged on all this. A common counter-phrase was that while small may be beautiful, big is simply necessary. And so “big” continued to rule.

But today, big and small are being combined. Big research in agriculture, combined with big satellite-based remote sensing technology and GPS-equipped ground equipment is making highly targeted, individualized fertilizer, nutrient, and water application possible, indeed routine. Big research has produced large numbers of seed varieties that are better able to withstand the vagaries of weather. Big insurance markets can protect individual policyholders. Big R&D in information technology combined with 3D-printing now permits very small-scale, highly adaptable manufacturing in far-off locations. Solar-, wind-, and current-generated power, developed out of big science, now is available at very small-scale levels and could make the Forum islands independent of fossil fuel imports and associated pollutants and foreign-exchange earnings, loans, or grants. Unmanned drones fly autonomously and deliver goods, just as many services can be delivered via wireless internet. Instantaneously updated market reports on fish or crop prices and mobile financial transactions and banking has brought millions of people into the marketplace, irrespective of the remoteness of their location. Big ventures in education now combine with smart phone-based “apps” (applications) that even almost wholly illiterate people can use with ease. And so on. In ways never experienced before, it is the “big” that enables the flexible, adaptable, highly localized “small.”

It should seem possible for donor organizations, local communities, and PIF member governments to follow Sen’s lead (for a summative overview, discussion, and critique see, e.g., Wells n/d) to construct social choice metrics of desired development outcomes, that is, individual (and communal) capabilities to be developed by a specific date. In practice, at least certain “basic capabilities” will not differ much from the MDGs of the past and the current SDGs. These performance objectives should then be set in the context of Boulding’s ecological and peace economics, which identifies important constraints (e.g., production is merely a measure of “throughput” which takes natural resources and converts them directly or indirectly, via consumption, to waste streams and thus runs up against absolute limits of natural resource availability; likewise the destruction of natural or built resources in violent conflict implies resource reduction) to re-image a structure of economy, polity, and culture that might in fact become viable, self-reliant and self-sustaining—or at any rate more viable, self-reliant, and self-sustaining than hitherto—if implemented through a modified Schumacher approach that applies big science and technology to small-scale communities on the islands. To this might be added various other heterodox ideas and findings. For example, the relation between earned income and happiness is nonlinear. A

society that explicitly aims at minimum income presumably will institute different policies than one that does not. Similarly, provisioning (e.g., care services in the household) and wellbeing go together; a society that explicitly aims at fostering provisioning may result in more resilient, cohesive communities and cultures.

All this seems conceptually feasible but does not quite address the questions of what will islanders produce in return and at what point asset building has progressed to such an extent that they can graduate from externally supplied assistance. The leaders of the islands themselves point to uncomfortable circumstances, e.g., that in part because of the need to earn foreign exchange, first through commercial agriculture and natural-resource exploitation, now primarily through tourism and remittances, islanders have been compelled to increasingly seek employment in the formal labor market which has helped to change dietary customs such that increasing numbers of indigenous peoples are malnourished. Thus, in its last MDG assessment, the PIF Secretariat writes that:

“[w]hile food poverty is not a serious concern for the region, food security is a major challenge. Traditionally, Forum Island Countries achieved food security through sustainable agricultural and fishing practices and a reliance on local food staples but imported foods are now filling in the growing demand for more and a greater variety of foods that are quick and easy to prepare. However, the increasing reliance on imported food, the decline in local food production and the shift in preferences towards convenient, cheap but nutritionally-inferior foods are placing Pacific populations at greater health risks, such as obesity in children” (PIFS 2015, p. 21).

It would seem that a self-conscious de-linking of the island economies from the world economy, following by a well-considered re-linking, might be helpful. Suppose that islanders could be directly assisted with “big-to-small” technology to re-engage in traditional but now highly productive and sustainable, nutritious agriculture and fishing, suppose that islanders could be directly assisted with “big-to-small” technology to fundamentally change the delivery and acquisition of applied education and basic preventive and curative health services, and so on, how would that change the current dynamics of economy, polity, and culture on the islands? At one stroke, the current reliance on external earnings would be reduced and, with it, so would the economics of the islands’ labor markets. People earning a trifle as relatively unskilled workers, subject to costly commutes and removed from their families, might choose to return (or remain) in their established communities. Rather than bringing people to development, a “big-to-small” approach can bring development to people. Schumacher talked of development “as if people mattered.” The “big-to-small” idea suggests that a unique experiment might be possible “as if location mattered,” an experiment of re-creating small communities of relatively self-reliant peoples, an experiment that, if successful, might—because of its demonstration effect—carry significant implications for humanity-at-large. Small might be quite feasible.

The point is merely that, if orthodox economics no longer applies, unorthodox ideas must be parsed to ensure that presently nonviable communities become viable once again.

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