THE CONTRIBUTION OF TOURISM TOWARDS ABORIGINAL ECONOMIC DEVELOPMENT
A capabilities-based perspective

Pascal Tremblay
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Abstract
The aim of this project is essentially to address the lack of theoretical development in the joint areas of economic regional development and research on Aboriginal involvement in tourism—as applicable to remote Australian contexts. It was itself driven by the absence of frameworks to assess the desirability of tourism as economic development option for remote Aboriginal communities or regions. The topic was approached through discourse analysis (including literature reviews and conceptual critiques), which required research stretching far beyond the typical realm of tourism research. The research examines reasons for the difficulties in connecting Indigenous tourism research to economic development, linked with the diversity of views concerning economic development objectives, as well as tensions relating to the nature of conflicts between cultural and economic sustainability objectives, and the political economy which has developed around these views.

The report undertakes a review of some noteworthy interpretations of the purpose and Aboriginal economic development in an attempt to frame a conceptual basis and construct a model of its potential and likelihood in the context of remote, northern Australia. An approach referred to as economic capabilities or alternatively the growth of knowledge perspective, is adopted to shift the arguments relating to Aboriginal economic participation from the usual employment or business expansion performance towards the development of capabilities supporting evolving aspirations and know-how. In doing so, the claim is made that investments in any set of capabilities should be evaluated on the basis of the effect on the ability of Aboriginal people to develop the means for greater economic autonomy, as a condition for political and cultural revival, while recognising the limited connections existing at present between their life experiences and the more or less distant mainstream economy which they increasingly need to interact with, despite being unequally equipped to do so. The various layers of capabilities required to construct an economic base are discussed, and the significance of market institutions in supporting and promoting learning (as a form of re-investment in know-how) is discussed.

From that perspective, the potential worth of participation in sectors such as tourism must be evaluated on the basis of the role it can play in building (creating, changing, eliminating and growing in general) capabilities that are likely to be retained in regions with small bases, and can provide paths towards sustainable economic activities, not necessarily tourism. In that sense, the perspective defended to evaluate tourism’s contribution to economic development involves an assessment of the fit of the knowledge base it requires with the existing know-how found in the regions as well as with the prospective economic aspirations of the communities or regions involved in developing an economic base.
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SUMMARY

Objectives

This report aimed at addressing the vast conceptual limitations underpinning the nature of the contribution Indigenous or Aboriginal Tourism can make to economic development, by undertaking a broad critical review of the ways these issues have been framed. This entails:

1. reviewing the issues raised by past Indigenous/Aboriginal tourism research and identifying contradictory positions and theoretical gaps to set directions for conceptual development
2. undertaking a broad analysis of contemporary discourse on Aboriginal economic development in Australia (complemented by a few relevant North American contributions), with a focus on arguments related to the desirability and nature of participation by Aborigines in the mainstream economy
3. embarking on a reformulation of the meaning of economic development suitable to extend the findings (in Objective 2) and taking advantage of fresh ideas emanating from evolutionary and institutional approaches and interpretation of economic development
4. assessing the contribution tourism can make to the process of development identified in objectives 2 and 3.

Methodology

Given the pressing need for conceptual development in research addressing theories and approaches in the field of Aboriginal tourism relating to issues of economic development, and the lack of channels to undertake that type of research, the approach adopted was to conduct discourse analysis and academic-theoretical critiques of the theories and arguments that have characterised the domains identified above. The methodological positions and knowledge developed in that sense originates entirely from those discourses and does not involve the opinion of particular stakeholder groups. Yet, it must be recognised that the raw material for the research involves the opinions of academic researchers, consultants, policy-makers and development officers who have contributed and influenced the various fields covered. These groups also constitute the key audience for this research.

Key Findings

- A large number of divergent viewpoints have been formulated about the nature and purpose of economic development for Aboriginal people, on the desirability to pursue goals of greater participation in the mainstream economy and the potential role that tourism could play in achieving such objectives.
- The inability to formulate research priorities and policy directions or to develop tools capable of informing the desirability of potential tourism ventures or projects to attain various goals can be linked to the absence of a coherent approach towards those questions. Research on the topic has been dominated by narrow opinion pieces, fragmented statistical analysis, and an abundance of case studies with little conceptual development and theoretical discussions.
- While most research and other reports agree on the urgency of addressing the economic predicament of Aboriginal Australians, a number of conflicting stylised positions about the nature of Aboriginal economic development can be identified. These can be contrasted in terms of the interpretation of the root problem and solutions. They all contain a different take on the relationship between economy and culture, which can be partially reconciled by stressing the role of sovereign individual aspirations with respect to capabilities to operate in relevant economic environments. The philosophical view endorsed is that economic growth and the development of market institutions are needed for the sake of developing a home-grown capacity to aspire for an Aboriginal place in aspects of economic life shaping their environments, and the capacity of Aborigines to themselves decide on the best ways to connect their lifestyle choices with those aspirations.
The nature of the issues, discourse, and relevance of various approaches to economic development is highly circumscribed and shaped by the geo-economic environment considered. There is a fundamental theoretical and empirical demarcation (with respect to the process and purpose of development) for Aborigines living in secluded, resource poor and government-dominated economies—referred to as remote, and those living partially or wholly in the mainstream Australian economy. The distinction is not necessarily about the urban/rural/remote immediate environment of those being considered, but the nature of the economy and the dynamic forces that allow or prevent it to grow in a meaningful way.

In the generic remote environment, the government sphere largely dominates the economy, and sets the direction of resources allocation, distribution mechanisms, institutional dynamics as well as the set of development options. The overwhelming presence of the government itself affects the way aspirations are developed, impacts on the incentives to develop home-grown capabilities and presents obstacles to the ability of Aborigines to choose their own development paths.

The capabilities approach to economic development (derived from theoretical work emphasising the growth of knowledge aspects of economic evolution) offers a conceptual platform to express the theoretical relationship between the formulation of decentralised aspirations and the complex processes by which communities or regions learn and build distinctive economic competencies.

The growth of knowledge and economic capabilities that hold the potential to attain economic prosperity involve intricate principles of specialisation and coordination which must be understood and conceptualised in the formulation of development strategies. These require that attention be given to:

- access to basic human capabilities which constitute indispensable know-how endowments about how to operate in the mainstream economy;
- the role of government, which must be recast in terms of providing support towards decentralised learning objectives, both by helping with the development of problematic types of capabilities where communities or regions are particularly disadvantaged, and progressively withdrawing from areas where the enlargement of local know-how is needed;
- the nature of the remote economy, and the inherent obstacles involved in developing local capabilities likely to be retained in those regions. Inbuilt shortages in productive skills found in remote places engender critical gaps in the necessary know-how foundations required to inhabit such economic environments, and persistently limit the ability to develop further capabilities through decentralised specialisation and innovation;

To assess the potential contribution of tourism to remote Aboriginal economies, it is necessary for distinct communities or regions to adopt a learning perspective. In this context, it is vital for them to consider and characterise:

- the learning orientation of those communities or regions in terms of the market knowledge they hold and the intensity and forms of participation (in the market economy) being considered;
- the range and learning potential of the capabilities (skills and know-how) held and needed in the relevant spaces considered, organised as learning competencies audits;
- the prospects to create a distinct base to develop market capabilities, and extend it across tourism markets or other non-tourism uses;
- the fit between the capabilities held (by a community or region), the requirements of the project or venture and the aspirations of that community with respect to future learning goals;
- the general absorptive capacity of the community or region expressed in terms of readiness to learn, to specialise and to extend local knowledge.

Future Action

- Expand the conceptual framework of the economic capabilities approach to consider the complementary roles of tourism and combinations of alternative industries and sectors in advancing economic development in remote Aboriginal regions.
- Develop tools based on community- or region-specific capabilities-based evaluations, embodying tourism strategies developed explicitly in the context of growing localised technical and market knowledge.
- Consider the implications of the capabilities approach for Aboriginal tourism located in the mainstream (non-remote) economy.
- Encourage and influence Aboriginal development policy and planning authorities and bureaucracies to adopt the economic capabilities approach to guide economic growth in remote Aboriginal regions.
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Chapter 1

STUDY CONTEXT AND BACKGROUND

This report establishes a theoretical background to consider the potential of tourism to contribute towards economic development of Aboriginal people and communities located in remote Australian regions. It is quite different from normal STCRC reports in being focused on discourse analysis rather than stakeholders opinions, for reasons that are developed in the diverse chapters of the report, in particular Chapter 1. This means that the final report is to some extent different from STCRC standard, both in terms of content and to a certain degree with respect to structure.

The project itself was originally conceived from informal discussions with staff from tourism destination agencies employed in supporting Aboriginal development (as well as other funding agencies involved in Aboriginal development, either on behalf of Aboriginal groups or the government) who critiqued the absence of an intellectual framework to guide their actions, within government or academia. They identified a quagmire of philosophical contradictory positions and obstacles to the advancement of Aboriginal participation in economic activity (with a focus on tourism) and suggested that there existed a dearth of literature or detailed positions guiding them with respect to choosing between investments or projects alternatives, an activity they were involved in doing regularly and were admittedly ill-equipped to undertake. They also felt that agencies themselves were hesitant to engage in such difficult terrains involving development theory and Aboriginal political economy.

This project was designed with the main intent of engaging those issues straight on, and to analyse the theoretical literatures of relevance for such endeavour. By necessity, it constitutes a more academic and exploratory journey where the required critical, and usually avoided, questions asked by the project could be shaped and partially answered. The audience for this research is also potentially broader than that interested strictly in tourism as this study contributes towards making bridges between tourism research and the Aboriginal development field. That audience is necessarily concerned with economic development policy and involved with decisions affecting the future of Aboriginal people located in environments where economic options are limited, and who face rudimentary choices in terms of the extent and nature of their participation in the mainstream market economy. By design, it places tourism as a potential mean to achieve a variety of elusive socio-economic objectives, the identification of the latter constituting a significant part of the research in itself.

The audience for this report, while potentially widespread with respect to its potential interest in Aboriginal, tourism and economic development affairs, might in turn be limited in its ability to absorb the conceptual and theoretical arguments that needed to be developed to advance this area of enquiry, which has in the past proven relatively intractable for many, and yet, in serious need of in-depth analysis. In addressing those, it was found that there was a need to extend the conceptual work well beyond the initially identified literatures on Aboriginal tourism and that the research would benefit from concentrating on the establishment of the necessary conceptual bridges required to provide satisfactory answers to the question of ‘what can tourism contribute to Aboriginal economic development in remote regions?’, the question that essentially perplexed the stakeholders that triggered this research, and posed it as a challenge to the researcher during the preliminary work for this project.

This extensive foray in conceptual and theoretical arguments came at the cost of deviating from the target of assessing the arguments or positions held by a variety of Aboriginal tourism industry stakeholders. As demonstrated in Chapter 1, there are a number of ethical and practical reasons justifying that decision. At one level, the arguments about the political economy of development do not rest with the stakeholders who triggered the research and work at the interface between the bureaucracy and Aboriginal groups. They rest with Aborigines themselves firstly, and with government, remote region occupants and Australians in general to consider, in the appropriate arenas of public discourse.

It was deemed preferable to exhibit the analysis found in this report as the result of academic conceptualisation of pre-existing discourse and theory-building pertaining to the interface between the fields of tourism, Aboriginal society and economic development unfiltered by anonymous participants. Hence, no claim is made that the findings have been shaped by stakeholders, given the prior belief that there is a very wide diversity
of opinions on those topics, and that this is believed to have contributed to the lack of progress in advancing theory in that area.

There were also practical reasons to discard the intended empirical component of this research, linked with the match between the language and ideas formulated in the conceptual part, and the difficulties to interpret and advance them, for various stakeholders. Lastly, the high staff turnover (in the relevant areas of occupation linked with Aboriginal economic development) and palpable hesitancy of many such stakeholders to emit opinions on matters where they perceived a conflict of interest between genuine personal views and their professional positions and loyalty to their agencies constitutes in itself a practical reason to avoid professing to a stakeholders-based approach.

Though this research aims at examining the interface between:

- tourism;
- Aboriginal society in remote areas and;
- economic development.

It does not take for granted that tourism is desirable or feasible, but focuses on the need and difficulties of developing a framework allowing to evaluate whether and when tourism is a good idea. This implies that theory is prevalent in this analysis, by design and by necessity. The author is grateful to STCRC for allowing the questions to be raised (in particular endorsing that tourism might or might not be the way forward) and allowing such broad conceptual and theoretical considerations to be integrated with the conventional tourism development discourse to advance this field.
Chapter 2

RESEARCH STRATEGY AND METHODOLOGY

General Objectives

The present research explores questions linked with tourism and economic development in areas of Australia featuring significant Aboriginal societies and individuals, in particular in those regions referred to as remote or peripheral. That exploration stems from the need to examine conceptual bottlenecks which have prevented the development for models or theories allowing a better integration of these significant domains of enquiry. Yet, there might be good reasons for which attempting to build a tourism perspective on northern development and to contrast it to alternatives has never been attempted. It seems probable at the outset that it is largely unrealistic to circumscribe the topic to tourism on both theoretical or empirical grounds, as tourism studies (in the Aboriginal context) constitute generally only a mere and derivative component of a complex web of social, cultural and institutional factors which shape the development of social and economic life in outback or remote Australia.

Outside the tourism context—and despite a large number of discrete studies targeted at assessing the status of Aboriginal Australia—few academics have dared tackle the broad-ranging question of Aboriginal economic development and been in a position to take a broad perspective and develop specific theories. Looming difficulties arise in attempting to interrogate the linkages between diverse fields and disciplines and to eventually structure them. Most research on such topics (reviewed in the coming chapters) either attempt to be comprehensive (at the risk of being superficial) or endeavour to explore detailed aspects of social or economic life confined to a culture and location. This report undertakes to go some of the way towards presenting an analysis that blends investigative diversity with depth, even when approaching the complex questions of the interaction between tourism and Indigenous societies without being locked into simplistic disciplinary-specific modelling. Since the broad research themes of Indigenous tourism and economic development as defined by this STCRC project constitute a minefield of contested analytical perspectives, methodologies, philosophical outlooks, incomplete and incompatible-connected speculative frameworks as well as poorly articulated general policy directions, justifying the approach taken by this report represents in itself part of the research. Also, it provides the central justification for the emphasis on conceptual aspects of the methodology and the theoretical outlook taken for this critical analysis.

It will be argued in the next chapter that past research attempts to first integrate and then reconstruct the relevant pieces required to address Aboriginal development and tourism issues have proven overwhelmingly thorny for the sake of providing research and policy directions. While there is a very large amount of research of relevance to advancing the perspectives developed here, the theoretical constructs on which they are based are highly fragmented, located outside the tourism literature, often explicitly value-laden as is often the case for theories of development. As was argued above, they are most often either too specific or too general in terms of the disciplinary as well as geographical-cultural perspectives they offer to make claims of universality. Yet, it is the view of author that claims for a conceptual framework are needed to progress the fundamental questions calling for urgent and practical responses related to Aboriginal development.

It is therefore deemed useful to list a number of such basic questions to set the main context and basis for the enquiry guiding this report:

- What approaches to economic development should be considered to address either inequality (between Aboriginal Australians and others) or promoting the wellbeing of Aboriginal people?
- Can research help answering these questions in the first place or should it be left to communities, individuals or planning processes?
- Can tourism play a role in achieving these objectives? Why? How? What is special about tourism?
- Should government agencies (in charge of tourism or development) decide or advise Aboriginal communities or individuals about participation or involvement in tourism and, if so, on what basis?

This report will not provide ‘answers’ to these questions (and there are no universal remedies) but will develop what could be presented as a sorely lacking framework to address them. Anyone who has had
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experience in considering such seemingly basic questions applied to the context of remote Aboriginal communities in Australia, let alone in addressing them, would recognise that merely enunciating them can rapidly escalate into methodological and ethical broader interrogations requiring extensive explorations, perhaps not suited to research usually supported by STCRC. Those questions indeed call for engagement with big social sciences debates, and with the sphere of policy-making and many other areas of discourse that have shaped contemporary thinking on economic development, wellbeing, social equality, cultural self-determination and many related topics. Just asking these questions most inevitably generates extensive scrutiny with respect to their wording and the inherently subjective nature of their framing.

In fact, scientific enquiries concerned with economic development, culture and identity usually result in further probing about loaded language and hidden hypotheses, about the implications of the research and the potential dangers of making claims to universality, even when the analysis is set in purely abstract terms and based on discourse. It is for instance always possible to question whether using the language of development creates its own pathologies and can become the source of self-fulfilling prophecies about dependency … and the need to address issues as is often found in government reports concerned with Aboriginal economic development. The variety of views on the current political economy of Indigenous development itself reflects that range, from analysts and policy-makers calling for special interventions to those protesting at the condescending implications of that discourse. While rarely articulated in such direct and narrow manner, these issues would appear overwhelming to many, and the tasks of merely attempting to progress answers for the questions listed above can appear excessively arduous because of the need to confront subtle and seemingly irreconcilable areas of discourse and method.

A passing glance at the questions above is also sufficient to raise further queries about theoretical perspectives and the place of economics in that discourse. Should economists try to answer these at all? Many would question the degree of contextual universality of the questions and the legitimacy of academic and/or government policy-makers viewpoints: Is it possible to answer these questions for the highly diverse circumstances characterising Aboriginal Australia? Aren’t these questions better left to Aboriginal people themselves? Is the lack of progress on Aboriginal economic development due to the excessive size of the market for ideas circulated around in the name of scholarly or other research? Furthermore, while any attempt to theorise development against any cultural background might seem problematic, the sensitivity of Australian discourses on these matters relating to issues of identity, colonialism, cultural politics, self-determination and the like is heightened by current political debates and associated ideological positions. It is usually not possible to avoid incorporating some of these perspectives and issues in any analysis of the impact of industry or policy on the transformation of Aboriginal society, since ideas end up shaping the policy process and the direction of government-led planning or development.

If the hazards discussed above constitute obstacles to directly address the issues, there is a greater danger in letting simplistic political and ideological discourses hijack developmental agendas and prevent in-depth analysis or contributions to theory from being able to contribute ideas and shape institutions or provide directions for progress. In fact, the dearth of attention given to Aboriginal matters by economists is symptomatic of challenges suggested above (Altman 2004).

Hence the large number of writers or commentators who prefer not to engage directly with theory, and potentially end up avoiding research that could address these fundamental aspects of social enquiry. It is possible to speculate that such political and methodological dilemmas usually lead to a narrowing of research agendas towards more conventional questions, away from broader development enquiry. Recent discourse on Aboriginal economic matters for instance has focussed disjointedly on issues of Aboriginal:

- employment
- participation
- inequality
- entrepreneurship
- business ownership
- opportunities
- service delivery

Thereby sidestepping more confronting questions of developmental choice, although some important exceptions exist (discussed in Chapter 4).
Chapter 2 will provide examples of attempts and strategies to circumvent excessively complex but highly relevant questions because of the enormity of the undertaking, and suggest that the path towards addressing the interface between tourism, development and the Aboriginal economic context is exceptionally tortuous. In rationalising the methodology used in this report, it is handy to suggest a number of potential strategies that have been considered to make the task of exploring Aboriginal and tourism economic development more manageable.

**Typical research strategies to approach Aboriginal tourism topics**

Past approaches aimed at dealing with the complexity of the topic have involved restricting the analytical scope of research, or alternatively to generalise it excessively. Some researchers have responded to the analytical difficulties affecting the study of Aboriginal tourism by getting involved in studies highly specific in scope and location (place-location-culture-wise). To deal with the specificity of the issues they wanted to address, they undertook research closely aligned with the experience embedded and expressed by the subjects researched. This is typical of doctoral studies on the topic allowing the required time and depth to consider the interface between business, culture, society, development, etc. In those studies, complexity is handled partially by constraining the influences and matters that can be handled analytically and the legitimisation of the research methodology occurs by maintaining a strong connection with subject-participants (sometimes allowing to label the research as ‘Indigenist’) and making the role of the researcher one of translating Aboriginal perspectives in terms of western scientific discourse (Gale 2008, Higgins-Desbiolles 2006, 2007, Radel 2005).

Alternatively, some researchers prefer focusing on discrete, arguably narrow aspects of a broad and significant problem, and reduce it to small-but-interesting controversies by identifying simple contradictions associated with it, for the sake of alerting to analytical contradictions and deriving management lessons. For instance, the evolving conflict arising out of tourists wanting to climb ‘the Rock’ at Uluru has attracted considerable attention at the juncture of the literatures on tourism, park management and Aboriginal cultural management (du Cros & Johnston 2002, Hueneke 2006, Hueneke & Baker 2009, McKercher, Weber & du Cross 2008, McKercher & du Cros 1998, Robinson, Baker & Liddle 2003, Shackley 2004, Waitt, Figueroa & McGee 2007). While this seems of interest as a case of conflict-ridden tourism politics, it is questionable whether this instance of land-use conflict is especially meaningful to address the basic questions listed in the previous section. The cultural and political predicament linked with the climb surely pales in insignificance in contrast to the vastness, depth and numbers of critical land disposessions and social-political quandaries that have historically shaped and continue to affect contemporary Aboriginal Australian life.

The positioning of this iconic attraction has attracted considerable fascination with tourism researchers (and become an Aboriginal tourism symbolic dilemma) because of the rather basic and typical host-guest disagreement it represents. In fact, tourism researchers have analysed it in terms of a confrontation between government agencies and industry ideologies where one aspect of the tourist behaviour ‘the climb’ is condemned, but others are to some extent endorsed. As if the walk on the rock by holiday-makers was more degrading to Aboriginal identity or culture than the alienation from that piece of land and its uses, and the segregation of spaces between infrastructures around the park-enclave and other less visible and disconnected where they live. Of course any such interpretation is excessively simplistic and disconnected from the deeper meaning and essential forces at play.

It is essential to analyse both the institutional conflicts and ideological bottlenecks in which various stakeholders are caught if one is to explain the deficient contribution of tourism on economic development in central Australia, of which the climb of Uluru is a mere and arguably a superficial symbol (Tremblay 2008b). In the context of Uluru, it is striking that most accounts have therefore focussed on a typical tourism dilemma relating to momentary and symbolic tourist behaviour, and ignored the intricate and pertinent development questions that have shaped and will continue to affect the broader region. Arguably, if the contribution of tourism towards the wellbeing of the region could be clearly demonstrated, the ‘climb controversy’ would be managed differently. Because such tourism research focuses on notorious snapshots exciting for tourism theory and textbooks, they can circumvent altogether the fundamental questions that need responses. In this case, they neglect explaining the absence of a direct connection or linkage between tourism development around Uluru (a vital and highly valuable asset for Australian tourism) and the wellbeing of Aboriginal people living around it.
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Another type of research which has taken place recently (initiated by STCRC) attempts to overview the issues associated with Aboriginal tourism by cataloguing them. Scoping studies of tourism in Aboriginal contexts gather, categorise, synthesise and propel forward topics and problems by creating a field of experts made of identifiable stakeholders relating to the field of interest. Such scoping exercises are often undertaken on behalf of government agencies and sometimes by academics (see Zeppelin 1999, Boyle 2001, Tremblay & Wegner 2009a) as they endeavour to produce some ordering of research or action and legitimise those by having stakeholders examine areas of enquiry or action and organise them into priorities. The next section will argue that, in the context of Aboriginal tourism, such approaches have failed to tackle the essence of the complex field that is Aboriginal tourism, perhaps because it can not be reduced in that way. In particular, the perceived need to exhaustively engage with stakeholder diversity has prevented the ability to address theoretical discourse complexity and hampered the formulation of a conceptual framework that might have allowed the establishment of research priorities and ensuing efforts.

In anticipation of the discussions and reviewed contributions that will appear in the next 3 chapters of this report, it must also be acknowledged that a significant number of disciplinary-based or even case study-based contributions have a definite relevance and to some extent guide the analysis in the present report. Some of these must be incorporated because of the way they have influenced contemporary Australian debates on the legitimacy of connections between Aboriginal society and tourism (for instance Jon Altman’s work). Other types of enquiries constitute extensions of models and research belonging to specific fields (such as entrepreneurship approaches, business models, governance models, community-based development, social capital applications, etc.) which have found relevance in Aboriginal contexts. While the latter usually constitute an enlargement of existing work, they can also result from efforts to attract the attention of different audiences of policy-makers with specific intellectual and ideological inclinations but putting a different spin on the nature of the Aboriginal problem. Many such research and related government reports on the causes of Aboriginal poverty or under-development can also suffer from being slightly theoretically superficial and problematic for not addressing questions relating to the nature, purpose and object of development.

With such a testing theoretical context and complex limitations for research, it is not surprising that the questions raised by Aboriginal tourism have been dealt with by bureaucrats themselves in rather ad hoc manner as government agencies involved in directing and planning (both for Aboriginal development and tourism development) have preferred to focus on operational expediency rather than dig into the questions and constructs that shape the policy environment in which they operate. Individuals functioning within the various bureaucracies that need to address and support development often face tremendous challenges in attempting to reconcile diverse agendas and contradictory operational views, without much clarity about the conceptual alternatives. They end up managing various systems as if independent, despite the familiar rhetoric about the benefits of whole-of-government coordination. The Northern Territory offers examples of separated (but coordinated) agencies attempting to link tourism and Indigenous economic development and facing such fundamental questions. It is unavoidable that in such contexts, tourism and Aboriginal support agencies commonly end up muddling through variable political realities, amidst massive but pivotal bureaucracies dealing with health, education and housing, themselves also attempting to come to terms with the purpose of Aboriginal development.
Methodology used in this report

The methodology chosen to explore the questions raised in section 2.1 of this report can now be justified. Its choice is in part based on the belief that the overwhelming bottleneck to development for numerous Aboriginal people and communities lies with the current conceptual limitations and the inherent battlefield (in terms of competing ideas and excessively diverse constructs which obstruct progress) insofar as even finding a basis to understand what the purpose of development might be. While it could be advocated to avoid such big questions and leave them to society (or to higher-level debates and analysis not constrainable to the scope of economic or social research), it is here argued that these questions need to be tackled for improvement to take place. Also, questions and understandings of development must be confronted in tourism as much as in health, education or demographic perspectives. The methodology followed is therefore based on the derivative belief that, given the history of STCRC to develop an Aboriginal tourism agenda (described in Chapter 3), significant scholarly gains can be made, at this point in time by addressing some of the theoretical dilemmas surrounding the main research questions, rather than adding another case study or attempt to discover a middle ground in an countless list of conflicting perspectives. And such an effort involves addressing a literature that lies outside normal tourism discourse, as well as engaging with ideas and philosophical stances external to the tourism research sphere as such.

The present study, undertakes a partial review of a number of alternative approaches and examines issues connected with the topic of Aboriginal economic development and tourism, taking the view that progress in addressing urgent questions of relevance to northern/outback Australia can no more avoid tackling these challenges, and must place these the fundamental question of tourism’ role in the broader economic development project at the centre of the analysis. The general methodology adopted in this report is academic discourse analysis. It is theoretical and exploratory insofar as the researcher-author did not have a pre-conceived idea at the outset of whether (and how) the theories surveyed would connect and whether some clear conceptual advances could be made. That conceptual examination has been directed by a number of analytical objectives and circumscribed by the number of existing theories found useful in probing alternative critical methodologies. The parameters that have eventually shaped the scope of the topic of investigation remain:

- economic development
- aboriginal/Indigenous individuals and communities
- tourism as an industrial sector
- northern/central Australia

In attempting to break through the intellectual difficulties involved in organising and progressing the interconnected sets of ideas identified as relevant above, a general approach emerged, which is ultimately reflected in the structure of this report, displayed in the diagram on the following page.
THE CONTRIBUTION OF TOURISM TOWARDS ABORIGINAL ECONOMIC DEVELOPMENT: A Capabilities-based Perspective

CHAPTER 1: Background

CHAPTER 2: Methodology

STCRC past research review

Prior research: Critique of pro- and anti-tourism

Research gaps

CHAPTER 3: Australian Indigenous Tourism Issues: Overview

STCRC past research review

Prior research: Critique of pro- and anti-tourism

Research gaps

CHAPTER 4: The political economy of Aboriginal development in Australia

Indicators, wellbeing, disadvantage gaps and business involvement

Generic viewpoints: Hughes, Pearson, Altman and Rowse

Key issues and elements for a framework: Culture, remoteness and Government dominance

CHAPTER 5: Economic theories of development based on capabilities

Human capabilities: Sen’s approach

Economic capabilities and the growth of knowledge: Loasby’s framework

Applicability to the remote Aboriginal context

CHAPTER 6: Assessing the contribution of tourism towards regional development of Aboriginal capabilities

The competitiveness and participation in tourism

Regional macro-economic attributes

Micro considerations – configuration of capabilities and development

Tourism development and market knowhow

From tourism readiness to tourism fitness

FINAL SUMMARY

Figure 1: General approach to the structure of this report
THE CONTRIBUTION OF TOURISM TOWARDS
ABORIGINAL ECONOMIC DEVELOPMENT: A Capabilities-based Perspective

Starting from an analysis of Aboriginal/Indigenous tourism field or sector (and its discourse) in Chapter 3, gaps and issues are identified which lead to a shift in the level of examination. Chapter 4 overviews contemporary discourse and theories related to the political economy of Aboriginal development that provide some key perspectives on that topic, and offer insights into the various interpretations of the role tourism could play. This in turns suggests further theoretical gaps connected with theories of economic growth and development. Chapter 5 explores alternative outlooks on the issues identified and endorses a specific theoretical framework promising to progress their analysis. Following that the broader theoretical discussions of Chapters 4 and 5, Chapter 6 returns to the broad tourism framework, and its usefulness in advancing the basic questions listed above, in particular related to the nature of the contribution tourism can make to Aboriginal people in remote Australia.
Chapter 3

AUSTRALIAN INDIGENOUS TOURISM IN AUSTRALIA—AN OVERVIEW OF THE ISSUES

Review of Indigenous/Aboriginal Tourism for Sustainable Tourism Cooperative Research Centre (STCRC)

This chapter is concerned with past research on Aboriginal tourism originating mainly from the tourism literature and broadly concerned with aspects of tourism operations and use of resources involving, featuring or impacting on Aboriginal people. A recent Review of Indigenous/Aboriginal tourism for the Sustainable Tourism Cooperative Research Centre (STCRC) (Tremblay & Wegner 2009a) examined the tourism literature and tourism stakeholders’ views during the period from 2000–2008. The Sustainable Tourism Cooperative Research Centre (STCRC) summary constitutes a valid starting point to recap some of the issues arising from that perspective, and to provide a background to the approach taken in this report, although it included only recent trends. The following chapters will contrast or complement the arguments using other key bibliographical sources predating STCRC contributions or originating from non-tourism perspectives (but dealing with themes relevant to tourism development) as well as materials originating outside Australia (to show how similar some of the issues in North America, New Zealand and Scandinavia have been).

STCRC summary research (Tremblay & Wegner 2009a) focussed on aspects of Indigenous or Aboriginal Tourism that were of interest to tourism stakeholders mainly, and evaluated its own research and agenda in that context. This provided a useful basis that does not need repetition, although a few critical elements can be usefully drawn out below to illustrate the challenges that were encountered.

Definitions and perspectives emanating from tourism stakeholders in Australia

Tremblay and Wegner (2009a) report that tourism organisations have displayed diverse preferences with respect to the use of the terms Indigenous or Aboriginal and that this has sometimes caused concerns about the philosophical orientations related to those matters. These concerns are themselves connected with a number of methodological and political issues of relevance in contemporary debates about Aboriginality. The report cited above observes that some states and territory seemed to have made definite choices while other did not. It speculates that some tourism agencies located in distinct jurisdictions might have used either term sometimes seemingly for branding purposes, for political consistency or have decided to endorse specific views on their use and contextual appropriateness. For political reasons, it would be reasonable to endorse Egan’s (2008:18–22) approach and use the term ‘First Australians’, but the present analysis needs to consider the broad literature as it is identified. The Tremblay and Wegner (2009a) report uses the acronym IAT (Indigenous/Aboriginal Tourism) for convenience to represent the joint perspectives of Aboriginal Australians, wherever they are located in the spectrum between urban or remote environments. This acronym is used in the present report as well to reflect the complex interface between tourism and Aboriginal people in general, and to emphasise the importance of the divide between Aboriginal contexts (urban-remote) for research and for economic analysis purposes. This critical aspect will be highlighted as the research shifts towards a more context-specific focus and terminology.

In a crude mapping of tourism agencies and IAT stakeholders, Tremblay and Wegner (2009a) also highlight distinctions between state tourism agencies in terms of their:

- **Measurement and definitions** of units such as Aboriginal, Indigenous or cultural tourists;
- **Institutional interests** contrasting:
  - agencies or organisations claiming or aiming to primarily support tourism destinations or sectors (and coordinating Indigenous products or experiences within that context), and;
  - those aiming to support Indigenous/Aboriginal development and interests (and considering tourism as an option in that context).
While the present chapter recognises the value of both sorts of outlooks, the present report will be mainly concerned with the second type of objective and corresponding contexts. In the main though, the relationship between the proposed directions for IAT and the course taken by Aboriginal economic development organisations operating in the distinct Australian jurisdictions has been often imprecise and poorly articulated at that level. In particular, there has been insufficient acknowledgment of the distinctive features and needs of Aboriginal Australians involved in the mainstream/more urban economies, and those living in the more remote environments and the possibility that tourism might play quite different roles across those environments;

• Broad outlook on IAT within government agencies (Australia or state and territory), reflecting the relative importance of IAT for these jurisdictions, and expressed as a divide between agencies that position IAT as a type of experience or product for marketing purposes and those who allude to economic development objectives and how tourism can be used to support them.

Following those observations, Tremblay and Wegner (2009a) identify a preliminary north-south divide reflecting different sets of priorities for IAT development in Australia. This partition—more precisely a north/west—south/east division, stems not from empirical research within tourism bureaucracies, but from an analysis of these agencies’ discourses in websites and management plans. It is admitted that the observations might reflect political imperatives more than management reality. Yet, it remains apparent that Western Australia and the Northern Territory seem to attach relatively more importance to supporting and planning for economic development opportunities through IAT while New South Wales, Victoria and Tasmania seem to be more concerned with the fit of tourism products associated with Aboriginal people to the destination. Queensland’s expressed approach seems to be addressing both issues simultaneously. Tremblay and Wegner (2009a) eventually suggest that in presenting their strategies in those distinctive ways, the states and territories have positioned themselves with respect to broad political imperatives and key questions of ‘what comes first?’—the development of a unified tourism product or the development of Aboriginal economic interests.

Review of the academic literature relating to IAT and the attempts of STCRC to set a National research agenda

The summary report from STCRC was ultimately more concerned with the type, nature and methodology used by various research communities to examine issues at the interface of tourism and Aboriginal society. While the present report is not concerned directly with the details of that history, a number of findings related to the gaps, difficulties and failures that occurred when STCRC attempted to develop a research agenda for IAT are significant for the present endeavour and are summarised below:

• Early reviews and literature surveys by Zeppel (1999) and Boyle (2001) demonstrated the complexity and conceptual difficulties in trying to extract key questions or theories from the interface of themes or sectors, themselves loosely defined.
• Various efforts from STCRC to set directions for IAT research through surveys, workshops, scoping, agendas, etc. produced extensive lists of issues. These concerns or issues could not be ordered, structured or prioritised in any meaningful or sustainable way, due to conceptual complexity, lack of participation by some key stakeholders, limited interest by researchers, lack of agreement on framework or vision, fractionalisation of interests, etc.

In the end, Tremblay and Wegner (2009a) conjecture that a number of reasons can explain the overall failure of STCRC (and other organisations) to set a National (Australia-wide) IAT research agenda:

• lack of participation or engagement by Indigenous stakeholders with both tourism and research that was needed to provide legitimacy to the goals sought—whether deliberate or not;
• discrepancies between the research needs required by tourism industry representatives (serving the needs of tourism) and Aboriginal perceptions of research and development needs;
• resource and governance limitations—in particular the leadership, time horizon needed to develop, progress and obtain results in the IAT area; and
• overarching, yet fundamental, divergence regarding research and policy needs expressed by northern and southern jurisdictions (and researchers across both). To reinforce that point, the northern agenda focussed on pressing needs associated with avenues for economic development through tourism in remote-regional communities while southern researchers and stakeholders seem more concerned with such aspects as the cultural appropriateness of tourism product development and ethical issues associated with participation in the tourism sector.
When examining and categorising the actual academic research undertaken in Australian (within and outside STCRC efforts), Tremblay and Wegner (2009a) also observe the following:

- Some disparities regarding research methodology, with STCRC having been relatively more involved in empirical and case study-type of research, while tourism academics have produced larger proportions of abstract, discourse-based and/or opinion-type research. There has been overall little theory-driven research relating to IAT overall, although some disciplinary backgrounds tend to favour different types of discourse.
- There have also been considerable investments by STCRC (and by tourism academics in general) relating to northern and outback Australia, supplemented by some fragmented research interests connected with urban environments or mainstream Australia found in the south-eastern seaboard.
- It is possible to derive useful research attributes to map the recent IAT literature. The dimensions of sphere-discipline, and location-environment seem to hold the greatest explanatory power in discriminating between research types. This reflects the findings that:
  - There has been a divide between publications with an economic development (including some business, entrepreneurship and marketing concerns) and those reflecting an overall cultural sustainability outlook (overlapping with social impacts, environmental aspects, landscape, etc.). Many papers also display mixed concerns, although usually more descriptive in their content.
  - The type of environment (embodying research location, jurisdiction, urban/regional/remote dimensions) has played an important role in discriminating between research efforts, which supports the observations above concerning the geographical divide and the different audiences existing for IAT research.
  - The empirical results for the 2000-2008 research suggest that the methodological outlook (type of research methodology) did not align with any specific location or disciplinary agenda.

In its conclusion, the Tremblay and Wegner report (2009a) suggests that if STCRC might have encountered insurmountable difficulties with respect to setting a National agenda for IAT research, useful lessons from the decade-long efforts by STCRC to develop research in that area should have been learned and can offer significant guidance. In particular, recognising that there is a fundamental human-geographical divide between north-west and south-east Australian environments is critical, and in some measure explains the failure to develop a National agenda at the outset. Whether the analytical importance of that divide is expressed in spatial, economic, demographic-geographical, cultural, or other terms, it constitutes a fundamental component and limitation of any research on Aboriginal development. Tremblay and Wegner (2009a:37–39) conclude that there is a significant divide between IAT agendas between the south-eastern (S-E) seaboard and the rest of the country (N-W) for reasons that have to do with:
  - the Australian economic landscape featuring the mainstream economy located in the S-E and (crudely) regional/remote Australia elsewhere;
  - the nature of the mainstream tourism product, mainly concentrated in the S-E, with exceptions around a number of iconic features dispersed in the N-W driving regional tourist flows and providing IAT opportunities;
  - the distinct political and economic interests of stakeholders located in or operating from these environments. (Tremblay & Wegner 2009a:37).

The divide relating to priorities and concerns that seems to cut across tourism destination agencies parallels the opinions and interests of the researchers that participated in the various forums and workshops run by STCRC on IAT and is reflected in the results emerging from the technical analysis of the report itself. The report also provides an overview of the ways in which the analytical dichotomy relates to various aspects of the IAT topics that researchers have explored, including differences (in the two notional regions) expressed in terms of:

- nature of the regional attributes
- aspects of demand-side analysis
- nature of the job market
- business concerns and entrepreneurship
- cultural dimensions and general sustainability concerns.
In conclusion, Tremblay and Wegner (2009a:40) make a number of observations providing the necessary background for the present report. Specifically, it is noted that IAT researchers have hesitated to engage with controversial and demanding topics such as economic development and have largely sidestepped theoretical work that could have progressed the IAT agenda. They note that:

‘there has been surprisingly very little work done on the interface between IAT and economic development, despite the large number of references to ‘economic opportunities’. This is probably due to the prominence of the early work by Altman and colleagues on Indigenous tourism in selected locations of northern and central Australia in the late 80s and early 90s. While the work of Altman has served as a platform to support anti-tourism opinions, it provides both prospects and challenges as far as IAT research goes. Little use or critique of his hybrid economy model has occurred. Authors that have developed the IAT entrepreneurship and business development themes (such as Fuller, Howard & Buultjens, 2005) have not tackled that literature and its conjectures directly, leaving a conspicuous gap relating to the most fundamental question about the economic development role that could be played by IAT in remote regions. It is also noticeable how little theoretical work has taken place in the IAT field (in and outside STCRC research) and the emphasis on consultation and observation. This might explain the lack of progress towards attracting stimulating research projects as well as the confusion arising around some of the key issues for the field.’ (Tremblay & Wegner 2009a:40)

More to the point, it is probably the case that these critical theoretical questions can only be advanced if set in a specific context, and if attempts to create national or universal models are abandoned. Vital research questions on economic development applying to urban/mainstream economy Aboriginal Australians must be recognised as equally valid as those applying to remote contexts, but fundamentally different, and requiring dissimilar analytical lenses, themselves calling for alternative theories and models.

A subjective and critical overview of prior IAT research in Australia

The claims above that the last decade’s research on IAT has failed to significantly engage with the political economy of Aboriginal development suggest that current views on the topic on related matters originate from research and opinions that either emerged earlier (pre STCRC—or prior to 2000) or stem from other literatures, including those found in different disciplines or in countries where analogous situations have developed (so-called ‘fourth world’ nations involving post-colonial legacies between Indigenous and later western occupants). It seems effectively the case that significant theoretical contributions on the topic arose prior to STCRC context, and in a diversity of Indigenous contexts. Some of the key contributions in that area that have had a significant impact in Australia are reviewed below, and the broad topics of IAT demand, IAT impacts and IAT potential for development are briefly summarised.

A considerable amount of past research has been directed at evaluating the nature and extent of demand for IAT, much of which took place in the late 1990s and involved the application of market research to what was seen as emerging opportunities (see Tremblay 2007 for a review). Simultaneously, researchers with an interest in the cultural impacts of Aboriginal representations in tourism marketing highlighted the hazards and opportunities associated with promoting cultural tourism, and the political implications of doing so (Hollinshead 2007). The majority of demand research relating to Indigenous tourism in Australia, Canada and New Zealand was more often than not triggered by political imperatives to address Aboriginal participation in the economy, the discovery of the new opportunities and the inclination by policy-makers and industry developers to make crude connections between Aboriginal products, culture and tourism. Despite these hopes, most government-sponsored research on the topic revealed that the majority of tourist-consumers were relatively unsophisticated and immature with respect to their knowledge and readiness to experience Aboriginal culture (Tremblay 2007).

Yet, this was in turn translated by industry proponents and bureaucrats as new opportunities (to educate the tourists), as product gaps (the need for more basic experiences) and as signs of rapidly growing markets. Ryan and Huyton (2002) conducted a number of small tourist surveys in northern and central Australia reiterated that a large proportion of tourists remained marginally interested in culture and suggested that attempting to develop tourism in these regions on the basis of Aboriginal culture was most likely premature. Tremblay (2006, 2007) also questioned the way demand was framed and criticised general empirical approaches that had been used, in particular studies involving surveys requiring tourists to rate their interest and contrasting those with actual participation to suggest market potential. Subsequently, Tremblay and Pitterle (2008) reinforced those claims by arguing that there was little evidence that Aboriginal culture played a special role in attracting tourists to specific regions or in affecting significant travel decisions. They showed that the tourist markets involved in IAT could
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be classified by their relative interest and participation in Aboriginal cultural experiences, in the same way McKercher (2002) applied his framework to generic cultural tourists. What is distinct about some remote regions, (in general featuring the outback—as opposed to other parts of Australia) was not that Aboriginal products constitute significant drivers of demand to visit those regions, but rather that Aboriginality is expected to be experienced routinely, as a component of the visited landscape (see also Tremblay 2008a).

When turning to the question of how tourism impacts Aboriginal people and communities, much academic research and policy discussions refer to a relatively archetypal list of intended and unintended, positive and negative consequences—reflecting discrete effects that participation in tourism is expected to have on any types of guest communities. These are similar to those established categories found in the early literature of tourism in developing countries and in most government studies on the pros and cons of Aboriginal participation in the mainstream economy (Altman 1988, Britton 1980, Bryden 1973). Such lists of tourism impacts can be wide-ranging and usually include positive effects such as providing employment, generating alternative sources of revenue and business opportunities, valuing and supporting sustainable cultural practices or control. These are typically contrasted with tourism’s potential to affect culture negatively and threaten its integrity, etc. In some specific contexts, it extends to other philosophical discussions about intellectual property, the value of staying on the land, the justification or viability of outback remote settlements, the benefits of supporting the arts and connected industries, or the contribution towards Aboriginal social capital, entrepreneurship or pride, to name only a few. Many such concerns are found intertwined and repeated in the recent literature focussing on Aboriginal participation in the tourism sector or their exposure to the tourism realm more generally (for which Fuller, Buultjens & Cummings 2005, Fuller, Howard & Buultjens 2005 provide a useful overview).

As the present report is mainly concerned with aspects of economic development, it must be noted that such a perspective is sometimes seen as narrow by a variety of analysts who perceive the economic dimension as ubiquitous and already driving much discourse on Aboriginal affairs while excluding burning social questions, in particular aspects of political impacts and cultural, preservation (for instance Higgins-Desbiolles 2006, 2007). As the notion of economic development anywhere can always be questioned in terms of similar concerns with its purpose, objectives and framing, those aspects obviously permeate much discourse about northern Australia as a developing space and economy. This is true despite the fact that the implicit connection between Indigenous tourism and economic development itself has been insufficiently theorised (irrespective of the fact that it conveys strong perceptions of developmentalist terminology overflowing on cultural and political discourse). As hinted in the introduction, understanding ‘economic development’ is an important challenge in itself and can be subject to wide-ranging interpretations about the nature of the background debates taking place about Aboriginal economic status, reconciliation and place in Australian society. Also it is striking that, despite much government rhetoric related to tourism’s potential, how little research has involved exploring with any depths the connections between tourism and some direct or indirect economic benefits for Aboriginal people (other perhaps than ‘jobs’). It is likely that simplistic oppositions to all things ‘economic’ have played a role in keeping the connection between tourism and economic development elusive and preventing advances in conceptual work on this critical topic. Tremblay (2009) raises questions about the theoretical depth and consistency and the universality of the implicit frameworks commentators on the topic have used. Despite the enthusiasm of policy-makers towards demonstrable economic progress and what could be perceived as the omnipresence of economic imperatives in justifying Aboriginal development, it is difficult to pinpoint many articulated arguments or analysis connecting tourism (as a set of industrial activities taking place and involving or impacting Indigenous Australians) with the wellbeing of Aboriginal Australians. This in itself constitutes a key argument to re-examining the political economy of Aboriginal development outside tourism as a step towards advancing the questions raised in this project (as undertaken in Chapter 4).

The economic development objective of IAT usually appears as a background theme of most research, as a necessary evil and seemingly understood set of social forces. In most cases, tourism itself is presented both as a tool (through the terminology of employment creation, set of opportunities, mechanism, source of rejuvenation, new incentives, etc.) and as a threat/challenge (through references to emerging cultural concerns or added impacts) that need to be managed or even deemed unacceptable (Altman 1988, Boyle 2001, Finlayson 1991, Fuller, Buultjens & Cummings 2005, Nielsen 2007, Zeppell, 1999). This situation is similar to that found in the literature documenting the ability of tourism to empower marginalised or less favoured groups around the world (Sofield 2003 contains a useful review).
Even when paying attention to the diversity of economic, social, natural and cultural contexts of Aboriginal people in Australia or elsewhere, the field of concerns remains to a large extent structured around the theme of Aboriginal development and the contributions (positive or negative) of tourism are assessed from that perspective (see Fuller, Howard, and Buultjens 2005). While it is here argued that the economic development perspective, appears, at least on the surface, to have dominated efforts to shape the broad discourse about Aboriginal tourism, it must be reiterated that it has not been adequately articulated to serve as a basis for a research agenda and has been largely disconnected from mainstream development discourse (except perhaps in the early works of Altman and collaborators).

Importantly the notion of Aboriginal economic development (without clear theoretical underpinnings) is subject to a wide variety of interpretations, themselves based on excessively dissimilar goals applying a variety of analytical scales. Statements that tourism is beneficial (or not) because it can help—supporting or sustaining employment of a community, diversifying given enterprises, supporting existing lifestyles, making more efficient use of infrastructure, maintaining settlement autonomy, supporting ethnic group identity and economic independence constitute examples of quite arbitrary fixtures of discourse potentially at odds with each other and lacking in conceptual foundations. The remainder of this chapter provides an overview of some of the more worthwhile studies that have tackled the question of the perceived economic costs and benefits of Aboriginal participation in tourism, which could arguably be labelled ‘the logic of threats and opportunities’.

It is convenient to sketch the main arguments originating from representative authors who have provided relatively refined discussions of the issues at stake. This is done by contrasting and incorporating relatively negative views of IAT (here represented by Altman, 1988, 1989 and 1996) with the relatively more pro-tourism outlook of other authors (represented by Fuller, Howard & Buultjens 2005). In their tourism-related papers, Altman (1988, 1989, 1996) and Altman & Finlayson (1992) highlight the dilemma created for Aboriginal people considering tourism as a form of development on Aboriginal lands. These authors rely particularly on reported Aboriginal preferences for marginal or indirect contacts or relationships with tourists and its industry, rather than direct contact or business involvement. Altman and Finlayson (1992) refer back to the empirical studies in a number of communities of northern and central Australia conducted by Altman (1988) and basically report that ‘Altman’s case studies showed that Aboriginal people were reluctant to participate in forms of direct tourism, as they felt involvement with non-Aborigines was inevitably intrusive and negative. Moreover, Aboriginal people felt it was neither important nor necessary to participate in the formal labour market.’ (Altman & Finlayson 1992).

In that context, the statement indicates an empirical observation connected with Aboriginal preferences relating to employment and/or tourism and suggests informed choice about the pros and cons of tourism employment, where tourism seems in fact potentially incidental. Given the prior cases examined Altman, this statement presumably refers to the existence of superior alternatives (in the form of lifestyle choices, other forms of economic rents—possibly related to mining or other land uses, or the development of distinctive relationships with Park agencies capable of providing flexible work or other economic advantages). Examination of the 1988 document reveals rather limited evidence in terms of the depth of these observations relating to expressed preferences in the majority of the tourism cases described. In the Kakadu case study and chapter, Altman refers to his own observations that Aboriginal people have ‘preferred employment with Australian National Parks and Wildlife Service (ANPWS)—the Agency running Kakadu National Park in those days) to direct involvement in tourism enterprises’ (that is, they did not form new businesses in the park nor sought employment in existing ones) and eventually discusses the difficulties associated with being employed as rangers in the park facing challenges of a social, cultural and political nature (Altman 1988:205). In the rest of the chapter, Altman recounts fairly diverse sentiments about tourism expressed in prior reports ranging from the very negative to the very positive and conveys his impressions that people were overall fatalistic about the growth of tourism in the region (Altman 1988:207). Altman’s account is thoroughly plausible, and strongly embedded in the institutional and policy environment of the time, and the context of the park in particular. It reasonably suggests that the types of tourism jobs accessible by Aborigines in the locations surveyed would have had limited appeal to locals (and to researchers commenting on those) given a number of implicit considerations relating to the nature of their options and to their conditions. With respect to the implicit choice alluded to, the following alternatives (to employment in tourism) emerge:

- alternative employment (including self-employment) in other industry or government (including parks);
- alternative non-employment options including welfare or other government programs;
- alternative economic rents (not based on supply of labour—but capital or land-related royalties);
- alternative options such as remain within the customary economy;
Altman’s subsequent work suggests that what he had in mind was particularly connected with the customary aspects of Aboriginal life, as particularly relevant in some remote areas. The ambiguity towards tourism work becomes understandable in that context as Aborigines do not necessarily express economic preference for commodities or lifestyle attributes. The use of the term preference seemed superficially to refer to the specificity of tourism interactions (involving person-to-person direct contacts and services) and the inclination to avoid such typically western inter-personal connections which Altman suggests are the most likely types of jobs available for less skilled Indigenous people considering tourism or hospitality employment. But what might be meant by preferences for activities other than tourism in the context of socio-economic choice should extend further. Simply noting that Aborigines do not want to be employed in formal tourism labour markets suggests group preferences against that type of employment. It can be seen as unsatisfactory because it overlooks the cultural, institutional and contextual framing of choice, and implicitly makes that individuals incapable or unwilling to consider novel economic options. This suggests that what has been labelled preference in this particular context could be interpreted in a number of dissimilar ways. It can refer to:

- a basic judgment about the worth of working, possibly linked to so-called welfare dependence or a more basic expression of a preference not to work. After all it is usual for economists to posit that people prefer leisure to work, a rather simplistic but common claim used in leisure economics to explain why people actually consume holidays
- aspects of cultural expression linked with land access and deference for customary uses—applying mainly in contexts where Aboriginal people have some means to enforce historical claims and retain customary way of life, making them disapprove land uses threatening the preservation of traditional lifestyles. This interpretation has little to do with occupational choice and services industries, by might be connected with tourists’ presence impacts and more critically, the acceptability of various land uses
- attitudes (by individuals or group) towards participation in mainstream economic life based on some vague notion of fit with current lifestyle. While Aboriginal views of what constitutes a preferable way of life remains an ambiguous concept in itself and is unavoidably related to cultural diversity, personal circumstances and choice, it is something that can not be simply extracted from opinions, consumer surveys or highly framed instantaneous options. It remains deeply embedded in the transitional reality of the people whose preferences are being discussed, and the translation of these views into conceivable futures. Importantly, it might not be appropriate to comment on lifestyle and cultural conditions (which can easily be idealised or equivalently condoned by participants and researchers alike) without the appropriate conceptualisations of the potential for changes in both living conditions and the ensuing impact on social and cultural preferences
- views held by persons or groups about the benefits or suitability of activities/jobs in the tourism sector relative to those available in other areas. These are likely to range considerably and not be reducible to a crude group view on the matter (as would not be expected from other communities). Potential inconsistencies arise regarding the applicability of the statement. Those Aboriginal people better positioned to make a judgment on the potential and threats linked with tourism (due to education and participation in the market and mainstream economies) are likely to disagree with it, many being already involved in a variety of business ventures, some involving tourism components. On the other hand, on can raise doubts as to the ability of those not involved in the mainstream economy and society to make judgments about tourism, without appropriate support to educate them as to the implications of the latter (see for instance Hall 2007).

What stems from these considerations is that it shifts the question from one of suitability to a broader one about the extent, readiness and nature of Aboriginal involvement in the mainstream economy in general (to be defined in Chapter 4) and the potential role of tourism in a variety of contexts. If these aspects constitute improvements on the initial notion of ‘preferences for things other than tourism’, they are all to some extent plausible and altogether somewhat insufficient, but what matters here is that they for sure require to be examined outside the narrow context of tourism. If it remains unclear whether the suggested ‘preference’ (a key to Altman’s main anti-tourism claim applying to the locations he describes), the latter can not be taken as data because, as claimed by Altman itself, the lack or absence of options, poor capabilities (referring loosely at this stage to insufficient prior investments in relevant human capital) and culturally-shaped penchant towards non-market life choices can suggest little potential or enthusiasm towards paid employment of any type.
Whether the views reported by Altman are intended to reflect intrinsically strong and distinct cultural inclinations or social-universal preferences for keeping commerce and industry separated from other cultural realms remains unclear. Hollinshead (2007: 290-1) expresses strong disagreement with such general views on moral and philosophical grounds, although the latter’s concern are more universal and not directed at the specific context of northern Australia. At an intuitive level, Altman’s claims seem to differ strongly from the reported high amount of interest in tourism ventures expressed by scattered Aboriginal communities in the Northern Territory wanting, and often demanding some involvement in tourism—again, noting that these emanate from a variety of contexts, individuals or gatekeepers, communities and organisations and it is equally difficult to qualify those as ‘preferences’.

This unrelenting expression of interest and the resulting pressure to develop tourism in widespread locations has in fact constituted the motivation to establish in the Northern Territory a number of Indigenous Tourism advisory positions (as well as social and business learning programs) needed to:

- alert and explain challenges of Aboriginal involvement in the tourism business to first-time interests, especially when no prior community-based reflections about the implications and conditions for success in tourism has existed; and
- to help the Northern Territory Government to assess which ideas, proposals, ventures or projects are viable and fit the NT tourism marketing positioning.

Endorsing the possibility that many Aboriginal individuals, organisations and communities do not have clear views on the nature of tourism and associated potential economic and cultural dilemmas, those developments raise more fundamental questions about the availability of specific types of skills required to envision the impacts of tourism in specific settings, let alone the contribution tourism can make through employment, business opportunities and other contributions to community development. Various pilot programs attempt to tackle those initial concerns and provide basic levels of support, but even within the confines of small communities, they involve a variety of interests and capabilities (Hall 2005, 2007).

Nevertheless, Altman’s story needs to be considered in full as he argues that the preference to avoid direct contact with tourists, combined with the lack of significant feasible economic alternatives (a distinguishing feature of many remote settlements discussed in greater detail in Chapter 4) make tourism a proposition with net economic costs in a majority of cases. Altman’s account suggests that this occurs mainly because the development of tourism contributes to declining opportunities to participate in customary pursuits (a topic also explored in greater detail in Chapter 4). Altman’s account suggests either that individuals undertake a relatively deliberate economic calculation based on trade-offs between alternatives weighted differently to reflect Aboriginal preferences (to work in the non-Aboriginal world with material benefits or to pursue customary activities with other distinct benefits) or that it is legitimate for a benevolent policy-maker to do so. The suggested trade-off can be criticised on methodological grounds, but it remains thoroughly credible as an expression of immediate perceived choice by a researcher. It must be noted that the mechanics of that choice remain under-explored, and need to be linked to a dynamic assessment of how such choices are related to the level of human capital held at a point in time, which is assumed to be a given by Altman. The possibility that individual or group investments in human capital could alter the basis for such choice deserves serious attention if an economic framework about participation in the economy is to be articulated.

If Altman portrays a reasonably credible short-term situation (in remote Australia) where the commercial benefits of tourism for small Aboriginal communities are expected to be positive (but generally low), this seems to be essentially true for skill-poor individuals and communities, where the prospect for skill development are not included in the calculations on which decisions are based. Not surprisingly in the Altman scenario, when modest direct economic returns from tourism employment are contrasted to the hypothesised substantial (but clearly difficult-to-measure and intangible) non-market indirect costs potentially arising from tourism, the IAT development option becomes manifestly unappealing for such individuals, and perhaps for remote settlements or communities overall. It must be noted that these non-market costs (including possibly interference with customary activities, loss of economic freedom, loss of privacy …) are also under-theorised and that the main negative impacts (in the Altman description) associated with them might not necessarily in fact be connected to tourism.
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It is arguable that similar intangible costs would likely result from most forms of participation in the market economy, although tourism is generally portrayed as particularly invasive industry potentially insensitive in its interactions with contemporary cultural life. It should be noted that this is in itself simplistic, and that tourism developments can take many forms. The distinction between more industrialised and more organic forms of tourism expansion entail differing tourist motivations and implications for local cultural integrity, as discussed in Chapter 6. More to the point, the Aboriginal context framing the meaning of ‘loss of economic freedom’ and ‘loss of privacy’ requires greater considerations. Presumably the former refers to the freedom to participate in the market or not (discussed in the next chapter). The second is also problematic in the context of contemporary Aboriginal community life where various groups, bureaucracies and government agencies shape so many aspects of social and economic life (as argued in section Chapter 4).

It can be argued that the notion of tourism (or any other industry or commercial sector participation) affecting the privacy of Aboriginal occupants requires greater conceptualisation, and that arguments linked to the spatial presence of tourists on the land (which is distinctive of tourism) need to be separated from arguments linked with the danger of tourism involvement or employment participation overtaking Aboriginal lifestyles. In either case, it seems that the cost-benefit logic behind the overall argument by Altman must specify whether the weighing of options affecting privacy and freedom applies to the individual (as in neoclassical cost-benefit analysis logic) or to the group level (where communities might hold some commonly idealised views about their desire to participate—or not in the mainstream economy against customary ideals).

Altman (1989) does recognise that within the Aboriginal population (even within homogeneous cultural groups and settlements), there exists a diversity of attitudes towards tourism. However, he suggests eventually that various governance costs associated with tourism development, the potential conflicts arising from decisions about the most appropriate forms of involvement with tourism (including cultural expressions), the desire to retain control over land use and the transactions costs likely to arise when establishing marketing partnerships with the tourism industry reduce considerably the appeal of relying on tourism enterprises as a development strategy. It is also unclear which of these costs are met directly by the potential hosts (or Aboriginal communities) and which would be passed unto society at large, but an assessment of quite complex pros and cons constitutes the basis for Altman’s recommendation. Again, this raises questions with respect to the choice of costs and benefits to be included in such social calculus, presenting Aboriginal views on, and capabilities to benefit from tourism as exogenous. Furthermore, the lack of concern with respect to the costs (short- and long-term) of economic idleness contrast considerably with widespread contemporary unease about the debilitating long-term consequences of lack of occupation and skills under-development.

In contrast to Altman’s cautionary platform, much of the mainstream business-oriented literature (both academic and policy driven) portrays tourism as a net economic opportunity usually under-developed because of generic structural barriers, such as education, health and cultural limitations. While most research of this type is also place-specific (and often based on case studies), there is a sense that the urgency of the claim of positive economic benefits to Aboriginal people from tourism is in general inversely proportional to the presence of significant economic alternatives in the location where the analysis applies. The claims about the potential of tourism occur despite much empirical work suggesting that the demand for many IAT products is generally overstated (as was discussed above) and that the opportunities for Aboriginal people to profit—as opposed to participate) in IAT are limited. On the first point, there is general agreement across empirical market studies of IAT products that while ‘expressed interest’ by tourists towards Aboriginal culture is positive, verifiable economic demand for distinctly Aboriginal commercial products is difficult to demonstrate and perceptions of growth arise from questionable measurements (Tremblay 2007). That point reinforces the possibility that while Aborigines are expected to be encountered by tourists and industry (as an input in the tourism landscape), the prospective business opportunities are in fact quite limited. Yet, the quest by remote Aboriginal communities for credible economic opportunities with the potential to provide an economic base is such in some regions is that tourism-based prospects are relentlessly desired and imagined.

Fuller, Howard and Buultjens (2005) seek to identify longer-term positive benefits that business enterprises linked with tourism could bring to remote regions. They explore the connections between various forms of regional economic development and potential contributions towards jobs creation, business entrepreneurship, self-esteem and suggest that developing strategic management frameworks aiming at building competitive micro-enterprises could contribute positively towards the economic base of Indigenous communities. This suggests that they view present problems in remote Aboriginal communities as linked to an insufficient propensity to develop businesses.
While these authors consider a number of potential definitions for the concept of ‘economic base’, they usually incorporate an amalgam of socio-economic considerations connected with aspects of Aboriginal community viability and most often relate these to the broad themes of education, health, employment opportunities, infrastructure and equity, reflecting current Australian policy frameworks for Aboriginal development. The notional tourism-related opportunities they advocate are expected to play a role in generating better living conditions in a broad sense (associated with greater goals such as social harmony, positive identity, lesser involvement in illegal occupations, lesser exposure to drugs and alcohol, self-confidence, leadership … and decreased reliance on social welfare).

In a general sense, any effort to identify opportunities for employment and business development for Australian Aboriginal people would be equally positive if that logic was strictly maintained, since it loosely fits the general purpose of moving away from the passive welfare economy (discussed in greater detail in Chapter 4). But it also opens up the possibility that the intent and discourse related to occupying Aborigines in that framework might be symbolic and diversionary rather than based on the belief that strategic opportunities are sustainable and life conditions would be improved in some yet-to-be-defined sense. It is inherently intricate to extract the development objective (relating to the formulation of a different future and new possibilities) from the pathological discourse where mainstream economy participation is presented narrowly as a remedy for the welfare dependency cycle and its associated search for economic independence.

Some of the recent literature on the topic has analysed regional tourism expansion as a strategic option, including the growth of eco-tourism micro-enterprises (Fuller, Buultjens & Cummings 2005, Fuller, Howard & Buultjens 2005), the emergence of Indigenous tourism business entrepreneurs through joint ventures (Bennett & Gordon 2007) or even the creation of Aboriginal culture-based cooperative ventures (Nielsen 2007). These models can all be said to aim at finding ways to attain the desired general goal of allowing Indigenous Australians to secure more economic independence and participating productively in the mainstream economy. Although they defend distinct approaches to development, they offer limited guidance with respect to the value of choosing tourism (as opposed to other types of industries or ventures) with respect to diverse objectives, and within tourism approaches, on the value of different development options for distinctive situations or contexts.

As was the case for the negative view on tourism as an Aboriginal development option, those proposing a positive stance towards tourism as a contributor to economic development seem to presume net benefits from ambiguous cost-benefit types of arguments, which do not apply well to the short-run context in which cost-benefit methodology is legitimate. The arguments above suggest that a genuinely developmental outlook is required, which recognises institutional and cultural endogeneity, and does not limit excessively and narrowly Aboriginal choices by disregarding the potential for learning and institutional progress.

Conclusion—research gaps stemming from the literature at the interface of tourism, Aboriginal people and economic development

The discussion above overviewed stylised facts, methodologies, and well-known perspectives arising from the Indigenous/Aboriginal Tourism literature and the extent to which research has connected with broad questions of economic development. It aimed at illustrating the difficulties of clearly embedding economic development in IAT discussions by identifying a considerable number of unresolved questions. It also attempted an exploration of ongoing tensions and a preliminary critique of possible contradictions already apparent in various discourses connecting Aboriginal tourism and economic development, while restricting the discussion to the IAT literature. A first clear outcome is that the IAT limitations call directly for a greater and deeper engagement with academic and research discourses on Aboriginal economics beyond tourism to provide greater theoretical depth and a more solid frame to evaluate existing opinions.

Chapter 4 will pursue that objective by endeavouring to categorise some key perspectives on contemporary Aboriginal economic development, and use them to approach the questions driving this report. This speculative exercise will attempt to identify useful building blocks to address the questions that remain vital to IAT, but which require a more elaborate and profound framework to shed light on the objectives and means of economic development, and provide tools to address the question of whether tourism presents a worthwhile potential to address Aboriginal development in the context chosen. To address IAT development, the following questions considered in Chapter 4 require definite attention:
• What is the nature of the Aboriginal economy?
  o What is economic development trying to achieve?
  o What views already exist in Australia on the best ways to approach that delicate question?
  o Are these views applicable to all Australian contexts (see below)?
  o What is meant by ‘economic participation’?
  o What views exist on the relationship between economic development, cultural deterioration and self-determination?

• Is it possible to assess whether tourism fits in various interpretations of economic development?
  o Does tourism really pose special threats or opportunities distinct from other economic activities?
  o How can this be established?

• Is the notional divide between parts of Australia dominated by mainstream society and economy and its more remote regions meaningful for economic development?
  o Is the notion of distinct economic bases for these dissimilar environments useful?
  o Should the objectives of economic development be conceived as different?
  o Are the roles and mechanics of economic institutions different across these environments?

• Is the logic of threats and opportunities (or costs and benefits) associated with tourism the best way to approach the question of its usefulness for economic development?

The questions connected with the cost-benefit analysis (CBA) type rhetoric applied to the assessment of tourism are particularly valuable because they open up methodological interrogations about the value of such short-term and static judgments in the context of development strategies. While cost-benefit analysis is suited for questions relating to short-term socio-economic investments (for instance whether to build an extra school versus an extra hospital versus undertake a training program for tour guides), its logical extension to more profound questions of development is often premature for a number of reasons. The CBA logic of given preferences, fixed institutional constraints, given sets of property rights context, static technology and fixed resources endowments does not extend well to the context of development policies where action aims at altering those regimes. Development economics cannot posit as exogenous and static the following attributes of the communities or economies it analyses:

  • institutions (welfare programs, interventions, education and health bureaucracy, etc.);
  • public opinion (within Aboriginal, remote and urban, Australia-wide towards governance, responsibility and welfare, private and group-based property rights, the pervasiveness of the market economy, basic rights, etc.);
  • basic/primary capabilities of Aboriginal, remote and other (health, education, housing);
  • demography, land occupancy and mobility;
  • attitudes towards human, social and cultural capital; and,
  • preferences for various types of lifestyles.

The above ought to constitute components of development policy rather than static institutional-behavioural constraints, and guide the analysis of how tourism can contribute towards development strategies.
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Chapter 4

THE POLITICAL ECONOMY OF ABORIGINAL ECONOMIC DEVELOPMENT

The previous chapter claimed that critical theoretical and methodological gaps prevent from addressing the assessment of the contribution of tourism in addressing development objectives for Aboriginal people for a number of reasons. These include:

- the observation that IAT research has been hesitant to engage in big questions of economic development, in part because it is difficult to formulate agreed (national) priorities;
- the contention that the few analysts who did address some of these questions directly treated Aboriginal preferences on these matters or their needs as ‘data’ and adopted a short-term institution-less outlook;
- the absence of universally accepted Aboriginal economic development theories or frameworks capable of providing a basis to assess various development alternatives.

The focus of the present chapter is on the latter aspects. It examines the Australian literature which contributes to the conceptualisation of Aboriginal participation in the mainstream economy (sometimes labelled market economy or mixed economy). This chapter therefore proceeds by analysing some strands of economic development discourse applied to Aboriginal Australia, in particular by investigating the theoretical tools and concepts used in that discourse as well as typical diagnosis of the nature, extent and form of development needed.

The specific analysis and methods adopted in the various sections of this chapter are very much driven by the need to summarily represent the wide variety of present-day views and ideological positions regarding the economic situation of First Australians. This is initially done by identifying a small, select number of such positions (identified by their key backers) for the sake of presenting an effective snapshot of key tenable intellectual and methodological positions meaningful in contemporary Australia. In attempting such an exacting overview, a large number of analytical short-cuts are adopted and many arguments are simplified as this chapter cannot profess to constitute a definitive discussion on the topic, or to constitute a balanced representation of all opinions that would satisfy the academy on such intricate matters. If available, any pre-existing state-of-the-art survey or overview of the arguments and ideological positions could have been used, and the absence of any such work is itself symptomatic of the complexity at hand. Consequently, an extensive number of references had to be surveyed to prepare this descriptive summary, and pragmatic considerations guided the selection of representative opinions.

Very few authors profess to have developed theories or comprehensive analysis of Aboriginal economic progress nor is it possible to find direct comparisons or critiques of existing frameworks or emerging theories. The selection of key viewpoints examined below is therefore based entirely on convenience related to the object of the present research project, and the elements discussed were selected mainly on the basis of their potential to advance the theoretical issues raised at the end of Chapter 3. Since IAT discourse itself is insufficiently developed to tackle those key questions of Aboriginal development, it is hoped that analysis of the political economy of Aboriginal development (necessarily outside tourism) can provide the elements needed for a framework to assess IAT.

Many of the conceptual devices used in contemporary discourse seem to coalesce and reach at the heart of economic theory, but the generic terminology used can hide significant differences in interpretation. Based on initial impressions from the extensive survey undertaken on the economics of Aboriginal Australia, it is useful at the outset to observe that key analysts of Aboriginal affairs (and the bureaucracies which adopt and implement some of their views) seem, on the surface, to have significantly converged in the last twenty years with respect to some of the key buzzwords and concepts they use.
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The notions of Aboriginal choice, gap and market participation have dominated and reflect apparently simple ideas that seem to originate straight from the basic economic toolbox. This seems to have guided mainstream prognostics and discourses that highlight the need for Aboriginal Australians to have greater choice—at least the same as other Australians and be capable of self-determination, be in charge of their economic future and be involved in deciding for themselves what future mix of economic means to use; to paraphrase many government documents. For completion’s sake, it is frequent to have commentators ask what roles Aboriginal people should play in markets, business, mainstream employment in Australia—although the queries could be reversed and questions be asked about the role of various institutions in Aboriginal lives.

This superficial agreement on terms might have resulted from convergence in ideology, in terminology, in National concerns, in bureaucratic interpretations of ‘what must be done’ or in increasing political uniformity. It could also have resulted from the haziness and lack of completeness in the arguments themselves, and could hide important and deeper differences regarding what is to be done about ‘Aboriginal economic development’. The less visible but relatively fundamental divergences are more clearly observed when there is need to analyse or evaluate specific issues or institutions, such as the dismantling of Aboriginal governance institutions in Australia, the revision of the Community Development Employment Projects (CDEP scheme) program, the wisdom of the Northern Territory Emergency Response intervention or the reengineering of its towns and settlements, etc. It is often in those contexts, and from closer inspection of the arguments expressed to support various courses of actions, that a number of critical tensions appear to be most clearly exposed, themselves revealing fundamentally dissimilar views about society, economy, culture and Aboriginality, the latter in turn shaping public debates in Australia. This chapter seeks to extract some of these basic positions (found in the realm of academic and policy discourses) and highlights the most significant aspects, so as to progress the analysis of tourism development in relevant contexts.

Recent years have seen a remarkable number of statistical reviews and enquiries attempting to depict the social and economic situation of Aboriginal Australians and comparing them mainly with the rest of Australia. This unprecedented empirical effort contrasts significantly with the deficiency in conceptual developments, models or theories, capable of organising these facts and provide new interpretations. Given the propensity for the vast majority of publications on Aboriginal economic development to agree on and reiterate the main empirical facts, it is unnecessary to develop that aspect extensively in this report, and no great emphasis is placed here on contrasting sources here. Furthermore, there are few disagreements on the extent of the broad statistics (although many interpretations exist). Chapter 3 only presents a brief summary of the major recent empirical findings then consists in a different survey which focuses on the equally popular topic of Aboriginal participation in ‘business’, and the typical indicators attached to that aspect. That discourse is examined not for the sake of providing new data, but mainly to identify possibly converging/diverging views about the nature of Aboriginal relationships to the mainstream economy and its institutions and the way analysts formulate the existence of a fundamental economic predicament and derive solutions or directions for policy.

Progress Indicators of Aboriginal Well-being

There has been in Australia, in the last decade, a noteworthy flurry of empirical studies on various aspects of Aboriginal well-being which usually serve as a platform for advocating change. It is clear that all studies depict a bleak state of affairs (in terms of government expectations and public opinion) and describe it as an unacceptable degree of advancement, given the implicit objectives set or imagined by Australians for Aboriginal political and economic self-determination. This is true both from the viewpoint of macro indicators looking at basic living conditions (health, education, housing and infrastructure, social context, etc.) and from alternative gauges attempting to establish the degree of participation in the economy (employment, business propensity, ownership of factors of production, propensity to depend on diverse forms of government support).

As stated above, the stylised facts presented here simply report the most commonly enunciated aspects of that empirical landscape, assuming therefore that the literature broadly agrees over the superficial facts. The majority of recent government reports confirm what ongoing empirical efforts undertaken by the Centre for Aboriginal Economic Policy Research (CAEPR) and the Institute for Aboriginal and Torres Strait Islanders Studies (IATSIS) for instance, have reported on the slow progress relating to economic, governance and social aspects of Aboriginal society and reiterate the same set of topics.
Basic statistics

Indicators relating to health, education, housing, access to infrastructure and services, measures of substance addiction demonstrate very limited recent improvements (and in some specific locations or areas some worsening) with respect to the most basic aspects of wellbeing. Analysts taking a longer-term or historical view observe a structural decline in some of the critical aspects of quality of life, a stance reinforced by the majority of the commentators. Such a decline (absolute or relative depending on the domain) in basic standards of living (based) is often interpreted as both cause and consequence of equally poor achievements with respect to economic independence and participation. This implied (but not really demonstrated) bi-directional cause between wellbeing standards and economic participation is present in many spheres of analysis and discourse, but can be interpreted in a number of ways. The multiple public enquiries that have taken place in Australia (Northern Territory Government, NTG 2004, Australian Government Initiative, AGI 2009) restate the existence of a significant statistical gap between Aboriginal people and the rest of Australia for the most important aspects of life quality as well as economic independence, with the associated notion of ‘closing the gap’ having given its name to a number of broad policy initiatives and driving numerous think-tanks and policy reform projects.

Statistical role of location

Correlations are commonly acknowledged between the performance indicators relating to life quality and ‘location’ (measured in terms of remoteness, or peripherality from the main urban areas of Australia). Northern and central Australia display weak achievements across the board relative to the rest of the nation. While correlation does not imply cause, there is a widespread view that much of the lack of progress in terms of services delivery and economic integration is a root cause of the gap problem and that integration in the mainstream economy and associated social systems would diminish the gap.

This view is sometimes extended to suggest that remoteness, economic and cultural, should be addressed and alludes to the need to reconsider homelands-based policies. Yet, broad dichotomies (for instance contrasting north and south or remote and urban) tend to be over-simplistic and can hide quite different causes that lead to dissimilar interpretations. There is little doubt though that these geographical elements (the different nature of the population, societies and economic structures they incorporate and the nature of resources and opportunities surrounding them) play a critical role and need to be better conceptualised. It also needs to be restated that significant proportions of Aboriginal people live in urban environments (including in the north) and that the significant gaps between Aborigines and others exist in some domains irrespective of location. Also the connection between location, settlement and quality of life indicators needs to be subjected to ongoing scrutiny as differences in interpretation about the statistical connections abound. One has only to contrast views related to health status and location, including the conventional stance that health services should be provided in centres where scale economies in provision can be reached (with people moving close to them), and the opposing perspective that ‘living on country’ (Burgess, Johnston & Bowman, 2005, Burgess, Johnston, Berry, McDonell & Yibaruk, 2009) is positively correlated with good health performance. While both suggest that it is poverty which is at the heart of the chronic health problems which bedevils Indigenous Australia, they together suggest that the issues of location, mobility and access to services remain empirically entangled with that of ‘economic choice’.

Employment and education

As far as indicators of gaps between Aboriginal and other Australians are concerned, the domains of education and employment are often connected in those types of discussions, although there is a diversity of views regarding the potential role of Aboriginal education in being a cause of lesser participation or success (in the work force, in entrepreneurial ventures or in sustaining standards of living). No simplistic causal connection can be assumed in reality, and the purpose of this section is only to restate the existence of multiple gaps as far as performance indicators are concerned.

The key point for this report is that Indigenous Australians are repeatedly found to be relatively disadvantaged as far as education is concerned, whether this is based on levels of performance, drop-out rates at various schooling levels, literacy and numeracy or other basic skills, new and core information technologies, etc. In some parts of the country, indicators have suggested a decline in education performance for Aboriginal people. Indeed recent targets to closing the gap have aimed at upturning a wide range of indicators ranging from early childhood education, ‘reading, writing and numeracy’ achievement as well as year 12 attainment and follow-up with vocation or higher education participation.
Significant (sometimes ideological) debates subsist with respect to the relative importance of various gap-mending measures taking place at various phases of educational pathways:

- Should Australia focus on basic young age or support leadership by ensuring role models coming through the ranks?
- What are the costs and benefits of uni- and bi-lingual approaches in communities; and what are the implications for access to mainstream resources and opportunities in various locations, what are the public finance aspects of location and remoteness of education services?
- Is education primarily about skills (for work) or about citizenship (the art of living together)?

From an economics perspective, the emphasis is usually on the former, but issues of lack of cohesions, governance and the ability to address various forms of social ‘dysfunctions’, starting with poor self-esteem and negative perceptions of cultural identity are closely influenced by early schooling and connected socialisation processes.

Education is connected to other key aspects of wellbeing creating further complexity. The social, cultural and economic contexts of Aboriginal living affect the ability of programs (with their particular resources, infrastructure, design and governance systems) to achieve the objectives they have themselves set. Many commentators have indicated that other domestic context variables (in particular health and housing—but also probably safety) impact on the ability of individuals and groups to learn and interact with the relevant institutions in specific contexts. The extent to which remoteness and the need for mobility to access education resources points again towards critical distinctions between the nature of the challenges of remote Aboriginal people and the need to consider the acquisition of skills (desirable or not) allowing them to interact independently and confidently with non-Aboriginal society if they are to access education and training resources. What is striking remains the quasi-absence of theoretical frameworks allowing to make sense of the accumulated empirical observations, and the elusiveness of the assumed connection with economic participation.

Employment statistics relating to Aboriginal Australians have also been regularly scrutinised. Unsurprisingly they are believed to constitute critical indicators of a major socio-economic gap with the rest of Australia. Although not everyone agrees that participation in the market economy needs to drive socio-economic development (alternative views on this will be discussed in Chapter 4), there is general accord that barriers preventing those Aboriginal people seeking employment from finding it require consideration and indicate the existence of a key issue. Economic participation is often narrowly associated with paid employment, and the basic causes of poor participation have been at different times assumed to lie with aspects of culture and lifestyle preferences, social positioning, demographic status, location, limited regional labour market and imperfect mobility, welfare context and related institutions, political rejections of the western (postcolonial) institutions of work, or simply expressions of the right by Aboriginal people not to participate in the mainstream economy, etc. All these aspects of discourse are evidently expressed and featured differently by various commentators and constitute manifestations of deeper points of disagreement relating to Aboriginal politics, and differences in place. Depending on the perspective taken from the above list of determinants of poor performance with respect to Aboriginal ‘employment’, various employment schemes directed at Indigenous Australians can be seen as useful as small steps in the right direction (building capabilities, supporting self-esteem, etc.) or futile attempts to mask the deeper issues.

Employment is also portrayed both as a cause and effect of Indigenous disadvantage, with the emphasis shifting from ‘low access to work’ as a consequence of socio-economic conditions (or poor resource endowment) to inability to ‘work’ (whatever the reasons) being itself the root-cause of insufficient participation in the ‘real economy’, and causing low self-esteem, low political influence, dependence on welfare, etc. In fact, Pearson (2000) has espoused the view that the circular nature of the ‘welfare dependency-participation in paid work’ is central to the Aboriginal predicament in remote parts of Australia and creates a downward spiral which calls for radical action if change is to be enacted.

If a majority of reports and analysts commenting on the employment gap between Indigenous and non-Indigenous Australians seem to take a narrow human capital perspective of the problem and focus on distorted incentives to invest in one’s own employability, there is no convergence regarding the best ways to address those.
Some question is raised about the adequacy of the approach based on the necessity of ‘work’ and raise methodological questions about its empirical soundness (see Rowse 1997, 2002). Most government reports seem to identify loose sets of industries or areas of activity where Aboriginal people are expected to encounter greater opportunities or have an advantage, on pragmatic grounds, either because of contextual prospects (such as in mining) or because of assumed cultural affinity grounds (as with tourism, arts, natural resources management, etc.). It remains that few convincing arguments are provided to support the potential significance of these directions, and their significance as a way of building economic autonomy. The more sophisticated commentators distinguish between urban and rural contexts and identify a progressively evolving continuum of employment opportunities based around land and culture in rural or remote areas, to more mainstream opportunities mainly available to Aboriginal people located in larger urban centres.

**Welfare support and costs**

Related to the above, much has been said about the negative long-term consequences of welfare support and the cycles of dependency it creates. It is also worth noting that although critical in the background discussions of the Aboriginal economy, few clear analytical linkages are established with the public finance aspects of the question. Given that various forms of assistance and support received by a variety of Aborigines are funded by taxpayers, policies in that area are indirectly influenced by public opinions towards issues of fairness and opportunity, and by bureaucrats assessing their own delivery in terms of ‘expenditures per objective’. While political discourse emphasises the moral case for equity and justice, it is possible that increasing political efforts to close the gap are also motivated by concerns for the public costs of welfare dependence, a plausible but difficult matter to prove. Recognising the sensitivity of raising the issue and the context of political correctness likely to surround it, it must be acknowledged that narrow, cost-benefit assessment of public expenditures might play a significant role as a factor driving policy discourse on ‘Aboriginal participation’ in the economy rather than a genuine effort to develop an Aboriginal economy.

Many of the arguments for welfare reform and greater Aboriginal involvement in the mainstream economy refer loosely to costs, often not differentiating between the perspectives of Aboriginal people and of the Australian society. The first perspective presumably refers to the large array of indirect social, cultural aspects of dependency for Aboriginal people (including the social, health and other consequences arising from unemployment or idleness discussed above), that can be attributed to the ‘welfare dependency’ syndrome. The second shifts the language towards public choice economics and conventional cost-benefit analysis by referring to the public welfare aspects of under-employment. When Aboriginal members of the economy are conceived as a ‘source of human capital’—as they would be assumed to be by neoclassical economists (especially at times of skill shortages—see Ah Kit 2007), it becomes pertinent to consider the opportunity loss from idleness and under-utilisation in times of skill shortages (also apparent in Economic Independence Sub-Committee of the National Indigenous Council, EISC-NIC 2007). Following that logic, it is legitimate to consider the public costs arising from remediation policies, such as those involving upgrading skills, sustaining or marketing employability characteristics and even include the welfare and bureaucratic costs of maintaining standards of living at levels compatible with general Australian aspirations. While these equivocal arguments are usually expressed by commentators in terms of Aboriginal welfare, the socio-economic costs of not addressing the situation is rarely tackled directly or expressly valued from a public finance perspective, even if it can not be ignored politically. Surely, the public discourse on Aboriginal economic participation can not eternally avoid those aspects either.

**Aboriginal involvement in business activities—a brief overview**

A somewhat separate stream of literature relevant to the economic development questions raised in this report blends government reports and academic research focusing on Aboriginal participation in business creation, entrepreneurship and the like. To some extent, these studies of Aboriginal involvement in business ventures as entrepreneurs, owners or managers stem directly from the belief that solutions to the issues reviewed above can be addressed if business opportunities are identified or created and adequate policies support Aboriginal take up. A number of researchers (EISC-NIC 2007, Evans 2007, HRSCATSIA, 2004, IEDU-DRDPFIR 2008, Nikolakis 2008, NTG 2004, SCATSIA 2008, Wilkins 2007) have undertaken comprehensive comparative empirical studies contrasting Aborigines to other Australians (in terms of attitudes, ability, incentives, success, etc. towards or related to business participation), while others have attempted to speculate about perceived success or failures and link them to various attributes of the Aboriginal context (skills, finance, remoteness, availability of basic services, job market, social support, governance, community obligations or interference, type of business, development objectives, cultural context, etc.) so as to identify barriers. Often, that type of research eventually endorses a specific type of business model or governance issue, seen as particularly problematic and in need of
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remedy. Despite the diversity of obstacles documented, a number of stylised facts have been recurring sufficiently regularly to warrant listing them below.

The following characteristics of ‘Indigenous business’ (IB) stemming from these comparative studies are therefore extracted as stylised facts frequently mentioned, recognising a considerable level of context-specificity and inter-relatedness between them:

- IB is more likely to have its origins and connections in non-commercial or subsidised community-based activities and ventures (for example, community stores and services, activities linked with the Community Development Employment Program and Aboriginal cooperatives).

- they are also likely to have some history of non-Indigenous management (or financial control) and to be community-owned rather than owner-operated.

- most surveys report that owners or operators state an emphasis on community usefulness and community employment objectives rather than simply profit or return on capital.

- statistical reports show that the above stylised facts apply much more to businesses situated remotely and/or away from the major Australian business centres. They also warn against ‘one size fits all’ policies and recommendations (for business models) that some national Indigenous policies seem to propose. They often call on the very large assortment of issues arising between the larger city environments (where the biggest numbers of Indigenous Australians live) and the remote communities (where many of the documented issues are most striking and attract much media attention).

- discussions focus largely on identifying barriers to entry for Aboriginal entrepreneurs and usually refer to a mixture of some of the following items as considerations:
  - low skill base
  - limited or ineffective training and education opportunities
  - lack of experience
  - access to capital limitations
  - continued outside interference or management in Aboriginal communities themselves
  - excessive areas of control by government twinned with lack of property rights (individual or communal) over key assets needed to support the development of products and opportunities
  - remoteness/isolation—lack of government support services and/or costs of operations or accessing basic factors of production (in particular labour and training)
  - distortions in business operations created by employment objectives (rather than profits)
  - less extensive business and professional networks, and learning needs and strategies incompatible with those of other non-Indigenous businesses
  - occurrences of corruption, safety, security issues and discrimination within and in the immediate environment of the business
  - cultural institutions interfering with business operations (including reciprocal family obligations).

It is worth noting that only that last item refers to attributes directly linked with Aboriginal culture or related social attributes (and indirectly to lack of property rights, security and discrimination), the majority of the previously listed items reflect universal attributes of entrepreneurship in remote, rural and small-business environments.

As for the discussion on employment above, a large number of policy documents suggest certain areas of opportunity (in terms of industries or sectors of activity) arise from ‘comparative advantage’ for Aboriginal people. The rationale for these inclinations is often vague and there are numerous disagreements on such assessments. It is appropriate to conjecture that many differences (about opportunities and advantages) arise from contextual disparities (especially mainstream-peripheral-remote environments), and sometimes are related to the diversity of objectives behind business development. The two aspects are somewhat connected and these types of argument can display some degree of circularity in Aboriginal policy discourse. This has important implications when some analysts support some types of businesses for their extrinsic (non-profit) values or contributions and their ability to counterbalance Aboriginal disadvantage related to employment. This usually suggests that industries or sectors of activities which can welcome such business-types characteristics deserve support.
Such support could also lead to cornering Aboriginal businesses into stereotypes and perpetuating the shortcomings stemming from a vulnerable local economy. In general, given the magnitude of the gap in participation in business, any form of Aboriginal involvement is considered positive by commentators if indeed it enhances perceptions of economic independence. Disagreements on desirable IB participation arise because human resources are limited and public choices must be made when much Aboriginal business activity is triggered and remains largely supported by government programs.

Typical areas of Aboriginal business development commonly mentioned as offering particular advantage usually include land-based and/or culture-related sectors (usually clearly assumed to be relevant for remote Aboriginal populations). In contrast, recent policy documents linked with the need to support minimum scale settlements (for instance in the NT) have also highlighted the desirability of exploring the potential for Aboriginal business development linked with the delivery of common services needed in and around remote communities, whether they usually are dispensed by the private or public sector. While the main clients for land- or culture-based activities are likely to be non-Indigenous (tourists, the arts market, environmental agencies, etc.), the services associated with settlements and service towns are usually directed at the resident populations, in many remote cases dominated by Aboriginal resident-customers. The question of whether it is more sustainable and desirable for Aboriginal businesses (and the communities associated with them) to favour production activities intended as regional exports or servicing local needs is important, and there are valuable arguments linked with both views (further discussed in Chapters 4 and 5).

The main industrial sectors discussed in the literature include:

- The **Arts sector**—which generally is the sector that seems to receive the greatest level of approval as an area beneficial for Aborigines on business potential and social/cultural grounds (from the viewpoints of remuneration, working conditions flexibility and general work satisfaction for artists) supported by perceptions that it can help satisfy innate cultural needs. Yet, it is also plagued with controversy with respect to the extent of Aboriginal (and non-Aboriginal) participation in the diverse phases of its value chain, and views that exploitation is possible because the appropriation of economic benefits by artists is insufficient. The role, advantages and disadvantages of having community-based art centres playing gate-keeping roles varies with ideological perspectives—and the alleged benefits they provide in terms of marketing, brokerage and community support or governance have often been debated (Tremblay 2010). A diversity of models are proposed to attempt to deal with commercial sustainability, professional succession and minimisation of economic leakages in the remote arts centre contexts.

- The **Tourism sector** is more controversial, but generally endorsed as an area where Aboriginal business participation is not only expected to “be considered”, but generally portrayed as desirable. It is obviously the area of focus of this report, and it must be recognised that government agencies qualify the extent to which Aboriginal business ventures in tourism should be supported, encouraged or even allowed (for instance where land use is regulated due for environmental concerns). As discussed in the previous chapter, the desirability of developing tourism is qualified by assumptions made about the demand for tourism products in the relevant regions, the competitive advantage of Aboriginal experiences (products or communities—relative to other regions) and the competitive advantage of Aboriginal businesses in delivering these (as Aboriginal cultural experiences can be provided by many types of businesses). A variety of forms of tourism participation (on or outside Aboriginal lands and settlements) can be considered, and their potential will depend on existing skills sets, attitudes towards the use of culture as well as land use aspects.

- Business activities managed by Aboriginal people linked with the broader fields of **Natural resources management** are often mentioned as promising because they can connect economic benefits with knowledge of country and exploit the specific Aboriginal understanding of remote landscapes. But it is unclear whether the nature of Indigenous competitive advantage can go beyond that aspect (in particular the on-the-ground implementation), and the extent to which such activities really improve economic independence, the latter depending largely on environmental and policy agencies.

- Another relevant area of employment is the delivery of **community services** in remote locations (including government services, health and education), which is less frequently mentioned as a sector for enterprise development (more for employment within public services) but could hold potential if bureaucracies in charge were ready to strategically allow some privatisation or decentralisation in areas where IB can build on competitive advantage linked with knowledge of their client base.
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A variety of business models have been described (applicable at the organisational, community or regional level) and endorsed by researchers for the specific merits they are anticipated to hold—specifically in supporting IB participation in specific contexts. Some have been considered because of their general appeal in remote or resource-poor regions while others are believed to be especially suited for the context of the Aboriginal economy. The following types are commonly proposed:

**Business Hubs**

Business hubs are mainly perceived to address remoteness disadvantages linked with insufficient government-provided support and professional services and tackle regional diseconomies of scale in the production and delivery of various marketing services. These are also seen as worthwhile in addressing issues associated with Aboriginal lifestyles (and customary obligations) by supporting the development of flexible employment pools allowing to sustain business continuity by creating adaptable labour market institutions.

**Joint ventures**

Joint ventures are commonly recommended as a result of perceived Aboriginal business weaknesses in specific skills or expertise areas and the belief that some factors of production will unavoidably need to originate from non-Aboriginal participants in a joint production process. Hence these are seen as desirable strategies to access skills deemed lacking within Aboriginal communities or environments. The main purpose of that approach is often described as linking up local skills and knowledge (held by the Aboriginal entrepreneurs) with the market knowledge, access to capital markets, technology or connections (assumed to be held by non-Aboriginal industrialists). Many recent well known Aboriginal ventures involve such mixtures of skill sets. Issues arise relating to whether learning or skills transfers eventually takes place, and whether there is a danger of locking-up Indigenous parties in the ownership of the least valuable capabilities from a strategic viewpoint. In a way, this is similar to some conventional themes emerging from the international joint ventures literature examining arrangements between parties holding unequal access to strategic competencies, unequal power and/or facing different degrees of vulnerability.

**Cottage industry model**

This approach is presented as a specific variety of joint venture explicitly addressing issues of access to financial capital and promoting the local appropriation of benefits by Indigenous communities. The ‘Gunya’ model for instance (Gunya Australia 2007, Evans 2007) focuses on the retention of profits and the development of place-relevant skills and social capital. The purpose is ultimately to create ventures linking what is presented as ‘community-driven entrepreneurship’ with external capital and business networks. Yet, such models often depend in part on the assistance of a benefactor capable of establishing a genuine link with a specific place, where a distinct economic opportunity is targeted. Importantly, it is unclear whether it can constitute a genuinely universal approach (especially in locations where opportunities are scarce) or can perform without substantial direct and indirect government assistance.

**Extensions to the value chain**

Business development approaches based on attempts to increase control of the value chain are widespread. They have been applied to support business in remote areas mainly in the context of attempting to integrate production (upstream) or distribution (downstream) activities to generate value added locally. This constitutes a reasonable approach mainly when pockets of competitive advantage pre-exist with respect to some identified resource, such as in the case of staple economies when some on-site processing is contemplated. Existing applications for tourism can sometimes extend to the need to boost product innovations and entrepreneurship or include attempts to foster regional development. Although not necessarily labelled as such, regional development efforts often derive from such attempts to increase business participation in Aboriginal communities by:

- involving potential Aboriginal entrepreneurs in the delivery of services targeting Aboriginal communities themselves, a form of downstream extension (exploiting advantages linked with location, cultural assets, local knowledge and captive markets in remote communities); or
- extending existing Aboriginal businesses (their financial and other natural resources) into upstream, downstream or even imperfectly related segments.
Conclusion on the state of Indigenous economic condition

It showed on one hand that arguments related to economic participation or progress have been closely intertwined in recent policy discourse with issues of education, training, housing, and health, but that there are dissimilar and potentially conflicting views on the logical and historical connections between these broad aspects of wellbeing, in particular their connections with economic participation, and structured ways to move forward.

Yet, there seems to be general agreement about the worth of trying to expand the Indigenous economy, a view that has become a quasi-unanimous and possibly a hollow catchcry. In the main, policy-makers have interpreted that expansion as involving:

- increasing the overall levels of Indigenous employment, and
- increasing Indigenous participation in businesses, with the view to building an economic base (Altman 2001).

Yet, statistical evidence and policies have developed ahead of theoretical work capable of providing substance and necessary distinctions to these notions of participation or development in the context of Aboriginal Australia. The next section will attempt to overview some of the key contemporary conceptualisations of the structure of the key issues and suggestions about how to move ahead.

Generic viewpoints on Aboriginal economic development—an overview and conceptualisation of recent discourse

As was suggested in the introduction of this chapter, public discourse of late seems to have superficially converged in identifying Aboriginal economic participation as a key and concern for Aboriginal wellbeing, and it its use of terms such as ‘choice’, ‘markets’, ‘freedom’ as well as some implicit connections being made with notions of capacity (to participate) and sovereignty (to decide and use). It was also suggested that this apparent convergence might hide deep-seated differences with respect to the interpretation of participation, choice, freedom and so on. This section endeavours to contrast some key discourse and arguments that have had significant influence on policy debates in modern-day Australia, for the sake of identifying similarities and discrepancies, and with the hope of establishing the key elements needed for the construction of the conceptual framework sought to address the questions raised by this research.

The process adopted here is to select key contributors for the discourses identified, and feature them as representative spokespersons for a few useful stylised viewpoints, at the explicit risk of caricaturing their views. It is common practice in academic research to tag ideas to individuals, for the sake of facilitating the examination of the arguments and explore the foundations of theories. The analysis below does focus on key figures in Australian Aboriginal affairs who contribute to distinct positions regarding the issue of Aboriginal economic participation. It must be admitted that again, this discussion does not constitute a comprehensive survey of the emergence of the ideas described, and that some of these perspectives could be attributed to prior researchers or even alternative key proponents. Furthermore, it is always likely that some of these authors and public figures have expressed different opinions or changed directions and revised their views during their working lives. The categorisation used below is constructed opportunistically for the sake of facilitating the task of this report. It does not aim at attributing credit or blame, but only to usefuly connect the distinct ideas or viewpoints with some eminent advocates.

Helen Hughes—the free market rhetoric

Helen Hughes (2005) epitomises the conservative (or ‘liberal vision’ in her own appellation) view on Aboriginal affairs. She has repeatedly asserted that most institutions, and in particular the welfare and economic support systems which underpin Aboriginal livelihoods in a large number of regions (usually the most remote parts of Australia), constitute critical and ‘shameful’ barriers to Aboriginal rights to the same standards of living enjoyed by other Australians. She sees a dysfunctional economy and describes at length the worse aspects from the same statistical facts found in most reports. She is unapologetic in using selective evidence and interpreting all facts about Aboriginal conditions (according to Rowse 2007 and Hunter 2008) and linking unrepressed every described malfunction to ‘government failures’. Her broad solution is unambiguous and rudimentary: to institute ‘the market’ and remove government intervention. While it is not the purpose to evaluate the validity of Hughes’ claims in a historical context as such, it appears that beyond that simple rhetorical exercise, the logic behind her program to increase participation is far from clear.
At one level, the immediate and superficial policy implication from her perspective is to dismantle the ‘racist’ support apparatus (including institutions such as the CDEP), the ‘exceptional philosophies’ or separatist ‘homelands’ policies of the ‘Coombs socialist experiment’ that presumably led to nowadays observed economic isolation, to quote some of her favoured phrases (Hughes 2007). It is notable that she does not argue that the seemingly clear prescription to urgently assimilate all in the market or in the mainstream economy will necessarily work (by default or some form of selection), nor does she examine with any depth the possibility that the willingness, aspiration or ability of those in the past ‘supported’ to make that transition to the market might be problematic. While her main argument takes the form of a series of government failures (the counterpart of market failures in economic policy analysis), it never is clear whether she believes that pure ‘laissez-faire’ is the needed direction, or some aided integration to ‘join’ the market economy, which is the more conventional viewpoint. In fact, Hughes’ position is confusing because she calls for more support for some merit goods or areas constituting priorities (for instance to spend more on health and education—which could from a conservative viewpoint be argued to constitute an area of self-responsibility) together with the more typical neo-liberal prescriptions involving the removal of communal ownership, permit systems and establishment of property rights related to housing and land.

Most importantly, she is vague on the implicit connection she makes between the removal of all these ‘government’ barriers and the presumed ability or willingness of Aboriginal people living in remote economies to subsequently self-invest in human capital and become participants in the new mainstream. To be fair, Hughes recognises that the low human capital assets of a significant proportion of remote Aborigines means that employment opportunities will be limited to the most basic activities (such as fruit picking or other basic forms of work). Paradoxically, she calls on NGOs to assist with pilot projects to help developing practical skills—those organisations constituting an implausible surrogate to the bureaucracy she is trying to eliminate. This raises some further questions:

- Would the call for NGOs to extend help with the provision and management of the required basic services (health and education) while catching-up occurs?
- Would they be capable of dealing with safety, crime and dysfunctional behaviour?
- Could they possibly take charge of the seemingly insurmountable transition towards a housing market?

The reality is that this ‘transition’ (the word appearing in her title) entails a large amount of directed and bureaucratic-planned activities (involving the ‘visible hand’, whether labelled government or NGOs) and this undermines her references to a solution based on ‘markets’. If Hughes is not concerned by political realism, her descriptions of a government-free and market failures-free economic life does not provide policymakers with much to go by. Ironically, successive eras of ‘interventions’ in the Northern Territory (and similar regions) that might partially have been attributed to Hughes-like ideas generally fortify the bureaucratic controls and top-down directions found in northern Australia, and particularly in everyday Aboriginal lives (whether linked with education participation, health checks, welfare payments usage, political restructuring, police presence, etc.), and rarely result in greater freedom or choice.

Her position on the ‘homelands’ (that is small settlements usually remote and holding few resources) is also ambiguous, despite being critical to her argument. When Hughes discusses welfare payment aspects, she borrows from Pearson’s perspective (discussed below) but argues that ‘because there is no productive work in remote communities, welfare payments have become the principal source of household incomes’ (Hughes and Warin 2005:3). It seems Hughes is pointing the finger at the absence of an economic base in those locations and is probably suggesting that remote Aborigines need to leave. This begs the question of whether the pieces of land Aborigines might inherit if a private land system was put in place (in the hypothetical case they obtained corresponding property rights as follows from market and property rights rhetoric) could sustain a significant market value and provide a meaningful basis for that context. In other passages, she seems to suggest that the ‘Coombs socialist experiment’ is what brought Aborigines to remote locations—which is disputed by Rowse as historically incorrect (2007). Whatever the reasons remote communities have become inhabited (and there must have been numerous drivers), Hughes must address the question of whether it matters that most of these places are economically unsustainable without government support, and that her ‘capitalist experiment’ would most likely equally fail in remote regions. She indicates that the need to create ‘employment choice’ is an option that has been disallowed by welfare dependence and ‘the fragmentation of remote communities’—pointing there at standard issues of scale economies (in the delivery of services and infrastructure in the NT for instance) and the likely greater progress achievable through the division of labour associated with larger economies.
To that extent, Hughes' discourse serves a useful purpose, however simplistic the scenarios described about the ability of 'pure' market-based institutions to provide appropriate incentives and the fact that it does not really address development and equity issues. In a typical neoclassical analysis, the topic of what type and level of government intervention is justified remains a balancing act in dealing with perceived market failures and equally hazy government failures. Defending the market or government failures perspectives constitutes probably one of the most enduring contentious topics related to the political economy of capitalism since its inception. Hughes provides a basic account of a Friedman-like perspective (with its associated limitations) on Aboriginal matters that can be contrasted with a number of alternatives, but encounters the same limitations regarding real-World institutions (Friedman 1962).

Noel Pearson—the destructive impact of welfare dependency

Noel Pearson (2000, 2005, 2007) and the Cape York Institute (CYI, 2005, 2007) have become closely associated with discourse that places the welfare system apparatus at the centre of the dysfunctional nature of contemporary Aboriginal economic society in remote locations, which has influenced public opinion enough to fuel fragmented proposals intending to remove it. Of course, as Pearson himself has repeatedly noted, actually addressing it honestly, removing it and putting in place an alternative system would require huge political courage and a plan (Pearson 2009). Much of Pearson’s rhetoric brings him close to Hughes when he attacks welfare services and community-based models as ‘proto-communist’ (2000, p.47), because in his view they impose common interest and common good philosophies on Cape York Aboriginal communities. The caricaturing of Aboriginal worldviews, economic ideals and lifestyles as homogenous or ‘unified’ which he criticises is surely relevant in explaining the lack of sophistication found in discussions of economic institutions and market processes related to remote economies. In contrast, Pearson has been fundamentally and actively involved in planning for and designing institutional transformations needed to pursue the directions he advocates.

This is why Pearson seems less concerned in reality with pro-market agendas and focuses directly on the destructive aspects of existing dysfunctional cycles that create the downward spiral he has described, which affect:

- the ability of Aboriginal people to want to establish an economic base (their incentives to work or be involved in business generally);
- their ability to take care of themselves (away from destructive consumption and towards healthy habits);
- their ability to make the personal or group investments required for autonomy (their incentives lever education and build human or social capital); and ultimately
- their ability to choose their lifestyle and grow their own aspirations (material and cultural) for themselves rather than suffer from ‘despair and helplessness’ that pervades Aboriginal lives in many remote communities (Pearson 2000, p.15).

He singles out the ‘Gammon’ or ‘passive welfare’ economy or resulting idleness as the root cause of the problem and links those to acute socio-economic dysfunctions that characterise many of the remote Aboriginal communities associated with substance, domestic and sexual abuse as well as an overall breakdown of social order. By focusing on the Cape York area, Pearson goes further than most in addressing the practical measures that would be needed to undertake a positive transition, remaining a strong advocate for meaningful participation of Aboriginal community members in the market economy. He refers for instance to the need to develop

‘community and regional enterprises that keep resources within our community and which circulate resources within our community as a key component to moving [Aboriginal] society to living under real economy principles’ (Pearson 2000, p.89).

Yet, he shows political pragmatism above ideology when advocating the need for a ‘recovery plan’ and the development of community-based institutions for the sake of kick-starting the Aboriginal market economy. Since Pearson recognises that there will never be sufficient employment in remote communities (CYI 2007) to support existing and projected populations, he understands that adequate support and planning institutions need to be engineered if market-like economies are to develop and eventually thrive.
Davidoff and Duhs (2008) who contrast Pearson and Hughes political economy with Friedman’s (1962) thinking argue that Pearson ‘rejects Friedman’s emphatic endorsement of laissez-faire and adopts elements of Sen’s (1999) human capabilities approach which recognises that ‘in the presence of serious deprivations selective government interventions may be required to establish the positive freedoms that some communities presently lack’ (Davidoff and Duhs 2008:14) because what is needed is not simply the removal of negative barriers to freedom (as in Friedman and Hughes) but also the establishment of positive freedoms. As Sen’s concept of ‘equality of opportunity’ entails positive action to provide education, health and political coherence, the basic elements for a reform agenda seem to line up. However, as noted by Davidoff and Duhs (2008), Sen focuses on inequality (or lack) of opportunity while Pearson stresses the lack of responsibility (due to welfare), which recasts the emphasis on ‘incentives’, the main ingredient in Pearson’s discourse. At the end of the day, choice (supported by basic capabilities) and incentives (based on responsibilities) need to be connected as ‘choice for Aboriginal people’ in Pearson’s thinking needs to involve the aspiration to move away from the non-choice circumstances surrounding contemporary life in remote communities (Pearson 2007).

Yet, as Davidoff and Duhs (2008) add, this is only the first phase of the recovery road for it does not provide an obvious path for wealth creation. What are the options if there is no economic base in the remote locations considered? Choice might remain highly constrained and involve deceptive options between pseudo-traditional lifestyle in remote environments or moving away from those spaces. Pearson is more than aware of this and considers the need to ‘redefine the idea of community in acceptance of the fact that there will never be sufficient employment in remote communities, so that members will have to rotate in and out’ (Davidoff and Duhs 2008:26). Pearson does usefully place ‘choice’ at the centre of his development discourse, and considers how alternative institutional contexts affect Aboriginal discretion and responsibilities regarding economy and culture. But it is clear that much work remains to be done to give substance to the notion of choice, and that addressing incentives and Sen-like human capabilities to participate in the market might be necessary, but not sufficient to participate in markets—as the ability to make a living is also dependent on geographical and historical paths.

Jon Altman—the hybrid nature of the Indigenous economy

Jon Altman and colleagues at the Centre for Aboriginal Economic Policy Research (CAEPR) have made an extensive contribution to Aboriginal research and affairs, the multiple elements of which cannot be overviewed in the present context. A relatively small proportion of that work is connected with aspects of the hybrid economy that includes aspects that are pertinent to the present discussion. Despite general endorsement by most analysts that Aboriginal Australians need to participate in the ‘mainstream’ economy, this does not necessarily equate with a market (or even market-dominated) economy. It must be stated that most economies, the Australian mainstream economy included, are ‘mixed’ in the sense of including mixtures of private exchanges (the market), state regulation, controls and activities as well as state-enforced transfers (the government or State sector). Altman depicts a hybrid Aboriginal economy (mainly found in remote Australia) differentiated by the relative importance of ‘customary activities’ akin to traditional subsistence activities.

A number of examples of customary activity are provided in the multiple writings by Altman (2001, 2003, 2004), but a precise operational definition of customary activities and an analysis of its foundations and future in contemporary settings proves difficult to find. Sometimes the terminology shifts towards ‘informal’ or ‘non-market’ instead of ‘customary’ and ‘dualistic’; which might reflect the evolution of Altman’s ideas or the many audiences he speaks to, and could even indicate that the centrality of government in the big picture of Aboriginal lives in northern Australia had been overlooked in his early works—quite a contrast with Pearson’s representation. From the examples provided for the ‘customary’, it usually refers to the significant share of productive activities undertaken by Aboriginal people towards fulfilling direct needs (ranging presumably from primary requirements such as food gathering, to advanced artistic and spiritual wants). These activities are not necessarily self-directed and can encompass a variety of transfers regulated by complex cultural rules that do not constitute market exchanges (because commodities are not created and no trade takes place) but remain nevertheless productive economic transfers (Hunt 2000). These aspects make the customary activities closely aligned with subsistence economies dominated by notions of reciprocity and gift described by economic anthropologists (Sahlins, 1972; Keen, 2004).
Altman sometimes adds other unpaid and informal activities such as ‘tackling contemporary problems like feral animals and invasive weeds and pests’ (Altman 2003) as contemporary extensions connecting Aboriginal spiritual needs and responsibilities towards the landscape. If this description makes those activities (in terms of modes of production and transaction) somewhat analogous to what would be found in a notional subsistence economy, Altman is eager to separate the two concepts. He highlights the ‘customary sector’ as being distinct from ‘pristine pre-contact hunter-gatherer economy’ and using ‘new, as well as old, technology and know-how’ (Altman 2004).

A number of aspects of this interpretation are particularly useful for the present analysis. Altman’s first point is that these customary activities are productive and have been disregarded by policy because they are not accounted for in key economic statistics describing the relevant remote Aboriginal economies. Secondly, these customary activities can be confused with idleness not only because they are not measured and taxed, and additionally because they don’t appear to lead to wealth creation.

The second aspect is problematic because it can be interpreted in a number of ways, and economic sciences has a long history of convoluted debates about value, the role of exchange in identifying alternative forms of value generation, and the treatment of non-market activity. Altman emphasises the first aspect, the inability to measure, and argues that the fact that these forms of joint production and consumption are not transacted through market mechanisms (nor result from government production processes) under-values the economic status of Indigenous societies and portrays Aboriginal social and economic life in a misleading way. He also observes that Aborigines in many areas have got the choice to participate in or work for private enterprises, interact with governments (often to receive welfare payments) and/or satisfy some needs by operating within the customary. The hybrid economy therefore involves individuals operating (sometimes almost simultaneously) along market, state and customary value-creating systems and switching at will. In Altman’s model, Aboriginal choice is implicit in that switching, and the availability of all these options is valued and needs to be retained. Aboriginal people choose to participate in the market economy when they have an affinity with a sector of production (natural resource and landscape management, arts, etc.) or perceived competitive advantage due to resources ownership (mining), as elsewhere in the mainstream economy.

This is the sense in which Altman endorses the general goal of furthering the Aboriginal leveraging of the market economy. The market principle he defends is related the individual ability to choose between those systems, and the freedom to enter or exit ‘the market’ as they please—recognising that a majority of Aborigines operate within the mainstream economy without hesitation. For Altman, the objective of decreasing progressively the role of the State in Aboriginal life is contingent on the recognition Aboriginal people need to retain the choice between the three spheres and might, as a result, increase the share of their activities related to the market or to customary practices, however ill-defined the latter might be. This is what Altman most likely means when arguing that ‘addressing ‘economic development’ is not uncontested even among economists (Altman 2003).

At one end of the spectrum are those who see development as a ‘process of expanding the real freedom that people enjoy’ (Altman 2003), which he contrasts to more conventional, notions like economic growth. Altman is at this point suggesting that posing economic growth as an imperative might coerce some Aborigines away from their ideal choice or position, and constrain their freedom—to not participate in the market. This is a critical element making this position distinct from those discussed above, despite some gaps in its fabric. Contrasting this view of affirmative choices between lifestyles with Pearson’s outlook in the previous section (in particular the description of individuals having lost their ability to choose due to the institutions and social dysfunctions surrounding them) suggests that these concepts of freedom cannot easily be reconciled. In Altman’s case, it remains unclear how exposure to and or participation in the various spheres (market, state or customary) affect individual skills and how this might ultimately impact on Aboriginal aspirations to specialise (in terms of lifestyle sphere) or to critically retain the option of switching between spheres. As in the previous chapter discussing Altman’s position on tourism, the analysis of economic development and processes can not proceed with arguments based on Aboriginal stated exogenous ‘preferences’ and must entail an analysis of how institutions (markets, bureaucracies, community, culture, etc.) affect the development of new aspirations.
Tim Rowse—market participation as assimilation

Tim Rowse has a background in history, sociology, political economy and has undertaken wide-ranging research in the field of Indigenous studies, only a few of his contributions being considered here (1997, 2002). He is included here for the sake of adding a distinctive position linked with useful elements he has contributed and which have in the main been ignored in the previous types of discourses. In particular, Rowse has expressed dissenting views towards the belief that Aboriginal progress requires participation in the mainstream economy, a prospect that he characterises as a form of ‘assimilation’, cultural or not. At the outset, that type of argument does not sit well in economic discussions since much ‘economics’ depends fundamentally on the belief that economic growth is a universal aspiration in itself, but in the Australian political economy of Aboriginal development, the Rowe-type critique constitutes a pervasive viewpoint. While Rowse is far from alone in questioning whether economic growth or integration is needed at all and in expressing concerns about the threat economic growth is a universal aspiration in itself, but in the Australian political economy of Aboriginal development, the Rowe-type critique constitutes a pervasive viewpoint. While Rowse is far from alone in questioning whether economic growth or integration is needed at all and in expressing concerns about the threat to cultural distinctiveness and Aboriginal autonomy, he provides one of the more articulate standpoints, and has commented on findings related to economic wellbeing of Aborigines as described by CAEPR researchers, usually singling out biases and possible contradictions in Australian public opinions and resulting policies related to Aboriginal development.

As he observes, there has been a fundamental tension in the policies of Australian governments towards Indigenous Australians since the early 1970s. Rowse claims that ‘on the one hand, the government pursues a politics of recognition, affirming the right of Indigenous Australians to perpetuate their cultural traditions; on the other hand, governments (and frequently Indigenous political elites) voice concerns about Indigenous ‘disadvantage’ which is measured within a single framework for the assessment of Australians’ well-being: their levels of income employment, schooling, vital statistics and so on …’ (1997:118). This tension can be interpreted as the basis of Rowe’s analysis. His viewpoint is indeed valuable when he criticises the simplistic extension of statistical ‘gaps’ as evidence of the need for interventions of various types. His view is that this type of evidence can be questioned (Rowse 2002) and that it is used to justify interventions of various types, more likely to serve the interests of bureaucratic planning and economic growth that Indigenous-driven development. Importantly in his view, this carries the seeds of assimilation because it necessarily attempts to homogenise Aboriginal living conditions (in terms of employment, location, business participation, etc.).

In Rowse (2002) in particular, the latter reinterprets statistical discussions about unemployment, housing, living conditions and locations and questions the scientific nature of typical interpretations (highlighting barriers to participation), and hypotheses that what is observed empirically (in terms of Aboriginal non-participation in a number of institutions) might simply constitute expressions of Aboriginal choice (away from participation in ‘the market’), rather than lack of fairness regarding basic welfare conditions or inadequate support. His purpose is sometimes to show that he can make sense of the same ambiguously constructed facts using quite different analytical lenses, allowing him sometimes to ridicule some of the concepts utilised to interpret the data about Aboriginal lives.

One concept particularly relevant to the present research that he derides is that of human capital as inherited from neoclassical economics, when applied to the Indigenous context. Rowse (2002: Chap.3) questions the logic of portraying Aboriginal decisions about investments (in education, training and more often that not in learning-by-doing) as being based on a balancing act between short-term opportunity costs and potential future returns as usually assumed of Homo economicus, and notes the extent of the bureaucratic apparatus that is being assembled for the sake of building Aboriginal human capital (interpreted as skills usable for employment). He flips the economist’ conventional arguments on its head by suggesting that if individuals are capable of choosing for themselves, the lack of Aboriginal participation in the mainstream economy must then have been an expression of that choice, and that non-participation remains an Aboriginal fundamental freedom, or even a basic expression of cultural diversity and self-determination. This could be interpreted as a fundamental condemnation towards the logic of the overall support system created to help Aborigines; bringing Rowse strangely close to Hughes in terms of the policy implications. This is especially notable when he notes (2002:13) that those choices (labelled as ‘living of the Indigenous sector’) are ‘almost entirely publicly funded’. Despite this crucial observation from Rowse, it must be remarked that few commentators have considered, let alone questioned, the potential link between the opinion of mainstream Australian taxpayers funding that ‘Indigenous sector’ and the size of the sector. These questions are mostly eluded in current debates and analysis, and the possibility that self-determination cannot be expressed outside such considerations (as suggested by Rowse) potentially contributes to creating an ongoing dependence on the ‘state sector’ and its bureaucracy, a possibility never systematically examined in the political economy of Aboriginal economic development.
The omnipresence or overwhelming presence of the government sphere surely cannot narrowly be interpreted as an expression of Aboriginal choice and furthermore must clash with the view that cultural independence is possible. The tension between the concepts of choice and dependence surely must be problematic when it is recognised that the freedom to not participate (in the market economy) can be read as dependence by other authors who submit that the government sector can not be portrayed as being culturally neutral (Pearson 2000, Sutton 2001, Trudgen 2000).

In a sense, the claim that the choice of participating in the ‘Indigenous sector’ (which in some cases at least must be interpreted as choice to not engage in productive activities and relying on the welfare system) is an expression of freedom can be recast as the ultimate case for laissez-faire. To those who oppose those views by referring to the state’s ‘duty of care’ and the possibility of self-harming choices made by Aborigines (as done by Pearson and to some extent Altman), Rowse seems to dissent with a strong methodological individualism stance. Ultimately, he suggests an ‘in-principle distinction between wise and unwise Indigenous choices’ (Rowse 2002:15–16) and asserts that the autonomy of human individuals should be the ultimate goal of government and policy. While Rowse surely refers to what governments should allow (rather than to what happens), there is a danger for his claims to be interpreted as suggesting that cultural identity or even social dysfunctional behaviour constitute individual choices, for the sake of pushing the argument to its extreme. Shifting language to some extent, he eventually argues that choosing object he is thinking of might not be the individual but the ‘collective subjects’ (Rowse 2002:65). This is intriguing, and it opens up the question of what has happened to the overlooked connection between individual action and responsibility, a cornerstone of freedom in the contemporary political economy.

When Rowse (2002:39) mocks the notion of ‘the optimising Indigenous chooser’, it becomes clear that some of his arguments are particularly useful in the present context. He indirectly suggests that:

- habit (through culture, rather than calculation) often explains choice and,
- that the extent of the option set (whether considering the availability of potential jobs, resources, lifestyles, skills options, etc.) drive the scope and nature of choices faced by Aboriginal people, and that Aboriginal aspirations and futures are continuously shaped by these interactions.

While ‘culture’ can be used as a flagship for status quo, it surely cannot be treated as a secondary explanatory variable with respect to Indigenous lives. It is both cause and consequence of economic choices, and while Rowse indirectly connects economic integration with cultural assimilation, he clearly does not propose segregationist policies, given past impacts of such policies. His focus on the option set is particularly noteworthy—although it arbitrarily sets the government sector aside. Eventually, it opens up a window on Rowse’s concerns about current development agendas: What if Aborigines were indeed encouraged into a borrowed economic-cultural mindset where identity is dependent on economic contribution and productivity, to find out that the options surrounding them can not support those values?

Review of the Issues Extracted from Key Discourses—Elements for a Framework

This section attempts to establish a foundation to tackle the issues highlighted in Chapter 3, and builds on similarities and differences between the viewpoints sketched in the previous section. The critical dimensions that must be dealt with to both circumscribe the field of application of the present research and open up substantive possibilities include the overlapping dimensions of culture, remoteness as well as the omnipresence of government-type planning in the mixed economies considered.

The first two topics are inter-related and underscore some unresolved issues that the present report can not aim at redressing systematically, but can not avoid either. The relationship between economic development and culture requires some consideration and needs recasting for the sake of addressing the questions set in previous chapters. That issue is highly complex, constitutes a scientific domain in itself (anthropology) and calls for the views of international experts on the theme in attempting to formulate a pertinent theory applicable to Aboriginal Australian contexts. The discussion below only addresses some key themes that have been highlighted by some authorities looking specifically at the culture-economy nexus.

The second part deals with the notion of remoteness and is focussed mainly on the need to embed Aboriginal economic studies in the particular human and natural contexts in which they take place, another inevitable topic.
THE CONTRIBUTION OF TOURISM TOWARDS
ABORIGINAL ECONOMIC DEVELOPMENT: A Capabilities-based Perspective

Such analysis could be either abstract or entirely empirical as many study areas (geography, spatial planning, regional development, demography) highlight definitions and dimensions of relevance to the present argument. In fact, the complexity of the arguments would bring the discussion far beyond the simple (and deliberately crude) main contention made in this section about the distinctions between the Aboriginal individuals and communities operating within and outside the realm of the mainstream economy as defined by geography and development context (rather than a purely abstract division between the customary/subsistence and the mainstream—referring to the Australian western-mixed economy).

To support that argument, a pragmatic division between remote and mainstream economic environments is put forward for the sake of addressing the limits and mechanics of Aboriginal development, and delineating it empirically or precisely for operational purposes remains clearly beyond the objectives of this report.

The third part of this section extends the argument about the spatial delineation to explore the pervasiveness of government economic activity and planning in the remote economy and to cast a different outlook on the nature of that economic society. That argument, which will seem obvious to some and insufficiently empirically grounded or demonstrable to others, anticipates Chapter 5’s discussion on economic capabilities and the imperfect application of market principles (in terms of exchange and specialisations expected from increasing division of labour) in the context of a government-dominated remote economy.

Aboriginal choice: cultural versus economic development?

There is a strange incongruity that stands between the literature on Indigenous tourism (Chapter 3) and that anchored in the logic of disadvantage-based economic development (previous sections). The former features centrally cultural concerns and opportunities (as a concern of tourism academics), possibly because the need for anchored in the logic of disadvantage-based economic development (previous sections). The former features centrally cultural concerns and opportunities (as a concern of tourism academics), possibly because the need for

While Rowse was shown to constitute an exception in giving primacy to the interface between culture and economic development directly, Hughes largely ignores it and alludes to ‘excessive cultural sensitivity’ (Hughes, 2007:21). Pearson on the other hand views culture as no less important than the economy and society, but pointless if survival or economic preservation is not ensured. What is needed in his view is ‘an intelligent compromise’ (Pearson & Kostakidis-Lianos 2004) and the realisation that cultural protection and self-determination are not identical to, or co-extensive with, remaining outside of a real economy. While he recognises a number of apparent tensions between market mechanisms and participation in the mainstream economy have been identified in the form of diverging forces (such as immediate sharing and individual accumulation; loyalty to kin and impartiality to all; individual autonomy and the authoritarian practices of the school and workplace; individual advancement and remaining at one with the community; as well as exploiting land and living with it—see Cape York Institute, 2005), these are issues that he proposes require muddling through. But he insists, contemporary distortions, corruption and deformation of traditional customs are ‘not culture, not tradition, not identity’ (Pearson 2000:18), only the product of a debilitating system.

If it is tempting to reduce the issue as one of emphasis, but this would clearly underestimate the profound differences between the views of those who seem to place the emphasis strictly on cultural or on economic choice or freedom. In trying to differentiate Altman, Rowse and Pearson for instance, one could caricature by stating that for the former, cultural decisions constitute a group responsibility while economic participation is portrayed as an individual choice, while for the second the priorities seem reversed. In Pearson’s discourse, economic participation becomes the group’s responsibility (for survival’s sake) and cultural positioning an individual and a clan choice. When Pearson refers to the need for individual responsibility to be placed back on the agenda, it is to rebuild the bridge between independence and culture.

Such debates are not obviously new to anthropology, and the tension between cultural preservation and economic integration has always been an area of particular importance to those examining poverty in less developed parts of the world. Sen (1999, 2004) provides a notable discussion of the ways in which culture matters in development, as well as persuasive arguments against cultural determinism. In a Third world context, he has underscored the interdependent nature of political and economic freedoms arguing that to develop, a society must eliminate repressive regimes, improve infrastructure, and actively alleviate poverty. Douglas (2004) condemns directly past representations of conflict between ‘traditional culture’ (or inertia) and rational economic behaviour. She argues that ‘development is often blocked by culture, but the problem lies with the culture of apathy, which is induced by helplessness’ (Douglas 2004:87). She eventually defines poverty as the ‘condition
incorporate notions of gaps in exposure to market exchanges addressing the gaps in ‘ability to aspire’.

Appadurai (2004) provides an insightful and elegant analysis of the connection between culture and poverty that reinforces those above, when he argues that strengthening the capability of the poor or marginalised to have a ‘voice’ (as in Hirshman 1970) requires that they interact with others (quite different ‘others’) in all realms of life (including cultural and economic exchanges) if they are to renegotiate the ‘norms that frame their social lives’ (p. 66). This implies that they develop what he refers to as a ‘capacity to aspire’, to envision the paths towards a future they conceive as better.

The latter views are not prescriptive in terms of what makes up aspirations, and what role market institutions and others would play within the context of a mixed economy, the latter being by definition highly varied. But it opens up a different interpretation of freedom for Aborigines supposedly deciding on their futures, that is targeting their capacity to operate in a mainstream economy. Taking a view opposite to methodological determinism (presupposing strict utilitarian rationality and assuming away the problem of knowledge), it builds on the habit and option set notions (as discussed above in Rowse’s summary) in a way that may seem unexpected—by suggesting that cultural habits must embody experience in dealing with the mainstream economy if a genuine ‘voice’ for individual or group cultural and economic preferences is to be found.

What must be considered is that the ability to assess the potential (economic and cultural) of the mainstream economy requires itself some exposure to it, and therefore the current focus on some participation in the mainstream economy—a key point of much public discourse as well as a source of contention is well justified just from that viewpoint. If gaps in market participation are to be connected with gaps in living conditions (such as those that seem to call blindly for more government intervention to address the second), they must also incorporate notion of gaps in exposure to market exchanges addressing the gaps in ‘ability to aspire’.

The concerns with economic/cultural participation seem to have been voiced to address different aspects or concepts—ranging from participation in markets (as institutions), in market exchanges (as socio-cultural processes involving commodity formation and information) or participation in the mainstream economy; the latter referring to the mixed economy space in which an assortment of market exchanges, government planning and authority as well as informal transactions overlap, connect and often blend. This is why it is sometimes difficult to completely grasp arguments such as Rowse’s discussion of the labour market participation, the latter potentially referring to the nature of the institutions shaping that market or to the involvement of market exchanges involving individual choice and investments in personal expertise (required for participation).

Many alternative interpretations are emerging from Australia and North America with respect to the culture-market economy interface, that suggest creative complementarity rather than substitutability, and they almost unanimously suggesting symbiotic connections (between culture and economy), path-dependency and context-specificity (Foley 2006, Hosmer & O’Neill 2004, McDonald 1994, Newhouse 2000, Pickering & Mushinski 2001, Saku & Bone 2000). This literature explores assorted economic development models fitting dissimilar circumstances (geographical, political and cultural), some of the key attributes of the models being the embodiment of culture and the degree of openness of the Aboriginal economy to other economies surrounding them.

In contrast to Douglas’ view about the passing of ‘traditional cultures’, much anthropological debates seems to remain connected to the question of whether Aborigines are systematically different (in the ways listed above extracted from Pearson), and the implications for contemporary social participation. Economists sometimes get involved in such question, and some have argued for instance that ‘culturally, Aborigines lack the drive for accumulation endemic to successful capitalists’ (Grant, Klieber & McAllister 2005:396), They go as far as suggesting that ‘the Aboriginal cultural predilection for satisficing is another source of comparative advantage’ (Grant, Klieber & McAllister 2005:399) because they can be paid less (for the same effort) and their ‘relative lack of material wants provides them with the flexibility to engage in productive activities that provide sufficient income, personal fulfillment, and adequate leisure time’ in a way that supports the ‘Aborigine’s nomadic spirit’. While this cultural explanation could be interpreted as an expression of aspiration, it is most likely misguided because it overlooks the investment in human capital aspects of participating in either the labour market or entrepreneurial business creation. The supposed predilection to satisfy is intrinsically tied up with the logic of subsistence. Participation in the mainstream economy (and its market and/or government sectors) implies some behavioural changes related to capabilities and suggests a shift in the terms of satisfaction itself (the main topic of Chapter 5).
Of course, some aspects of culture are enduring and might prove more resistant to change (for good or bad) than others, creating some of the distortions often noted. In fact Fuller, Howard & Bultjens (2005) and Trudgen (2001) and many other commentators remark on the degree of enthusiasm for mainstream culture and many in terms of observations relating to contemporary consumption behaviours. It seems that there is a considerable gap between the attention (and the moral judgments) accorded by analysts the consumption preferences (where the discussion is usually concentrated on sharing aspects, not the substance of material consumption, as in Trudgen 2001) and occupational preferences. Furneaux (2007) raises the possibility that in the hybrid or dual economy, individuals must balance their investments in human capital (in particular if they intend to become entrepreneurs) with social investments in ‘sharing’.

Sercombe (2005, 2008), building on Peterson (1993) and Schwab (1995), identifies the system of demand-sharing as the central cultural feature present in and defining many Aboriginal contexts, irrespective of their location (including those entrenched in urban environments) and choices connected with participation in the mainstream economy and employment. His contention is that the survival of those cultural features in particular in urban contexts is so significant that it should claim a central position in defining what culture is, even in circumstances where loss of language, ritual and mythology have occurred. But he also notes the absence of a coherent framework for understanding the customary economy and its relationship with the dominant capitalist mainstream.

While it was not the intent of this section to seek to discover such a framework, the more modest aim was to review the interface between culture and economic participation in recent discourse about Aboriginal development and provide arguments to move away from simplistic oppositions between culture and economy. A key observation, far from novel but in need of reiteration, relates to the conjectured two-way interdependence between cultural and economic sovereignty that dominates much of contemporary discourse—and the value of establishing the link between economic and cultural freedom and the capacity to aspire. Many of the apprehensions about cultural assimilation related to economic participation seem to suffer from category confusion. Rather than attempting to contrast the implications of market participation for culture with those of government- and welfare-dominated systems (as done by Pearson), crude political stances often compare partial economic seclusion (or the adaptable-hybrid economy) with the mainstream mixed/capitalist society, which constitutes a different category of discourse. The next few sections will question the usefulness of assuming that the mixed economy guarantees freedom in all environments.

Remoteness, disconnections and the northern Australian economy

The argument of this short section will be organised around a few themes and borrow indiscriminately from various areas of literature, as it is recognised at the outset that the topic deserves much greater attention, and would benefit from systematic enquiry in many areas of research and discourse (connected initially with geography, spatial planning, regional development, demography, but broadening eventually) if such a thorough examination was possible. The crude claim supported in this report is that there is, on empirical and analytical grounds, a meaningful division between the Australian mainstream economy and other parts or fragments of the economy referred loosely as ‘remote’, and that this distinction is necessary to develop the key framework this report strives towards. This distinction arises of course from many allusions found in existing research and discourse, but most importantly is required and has got worthwhile implications for researching Indigenous tourism, Indigenous economies and Australian Aboriginal economic development in general.

Dichotomy in the Indigenous tourism literature

Chapter 3 examining specifically tourism manifestly connected the lack of progress with constructing an IAT research agenda and advancing ensuing research in Australia to a broad dichotomy or divergence between north and south which was based on loose fragments of evidence:

- the disssension regarding IAT priorities between states and territories as conveyed by their outlook on marketing or development;
- the tensions arising between researchers and stakeholders from different jurisdictions regarding research priorities;
- the analysis of literature and its main attributes (as described by Tremblay & Wegner 2009a).

While the political incentives for IAT stakeholders to create unified national agendas persists, the differences in purpose and their implications for research can no longer be ignored.
Remoteness in the Aboriginal economic development context

References regarding the need to distinguish between a number of contexts when researching and interpreting Aboriginal society and economy abound, with most commentators and researchers warning about simplistic generalisations. It is probable that the present attempt to partially circumvent such sweeping issues creates its own hazardous oversimplification, but the value of pursuing the present argument is seen as greater than those drawbacks in the present context. The conditions of Aborigines living mainstream lives in mainstream suburbs with mainstream jobs, education, etc. are often overlooked because less visible in some ways (as a social phenomenon—until statistics are produced showing that it is nonetheless widespread), because less interesting a phenomenon for anthropologists in particular and because perhaps less important as a socio-political agenda.

Not all aspects of Aboriginal society and contemporary reality are of interest for this report deliberately concentrating on less developed areas of northern Australia. How to delineate that space is far from simple and a number of distinctive elements have attracted the attention of researchers involved in Aboriginal affairs attempting to describe significant differences. The latter are at times interested in:

- the urban-rural split (to which metropolitan and remote categories are occasionally added);
- notions of distance from the mainstream economy (abstract or empirical) that do not apply strictly to Aboriginal people;
- the nature of economic participation itself (with Aborigines being depicted as ranging in their dependence on subsistence, welfare, market, government spheres of activity);
- lifestyle and personal life dimensions; and/or
- the elements and attributes that define remoteness such as access to services, resources, infrastructure, and the like.

Most research on social and economic conditions of Indigenous people in Australia and Canada (including gaps research) includes descriptive distinctions related to various aspects of living conditions diversity, many of which corroborating or providing an alternative perspective. The focus below is instead on research that has suggested theoretical connections between aspects of development and remoteness at some level, and provides an extension of arguments presented in this chapter.

It is useful to note that the proponents of the four viewpoints discussed in Chapter 4, were all mainly concerned in their analysis and writing about the remote regions of Australia, and that the great majority of their examples and cited facts originate from those locations. This is the environment with which Aboriginal people are connected in the popular imagination and the media, because on the whole this is where the more visible and extreme cases of dysfunctional economies and societies are to found, sometimes side by side with the most easily observed traditional cultural expressions. But many also note that they are not the most numerous nor that it is implied that they have greater historical claims on tradition, identity or the land. It would be convenient for the present study to refer to a state-of-the-art study on that topic. The bulk of the work undertaken by CAEPR is useful because of the cautious and discerning use of statistics it embodies, and the usual distinctions between northern Aborigines and others underlies much of their work. But ultimately, it seems that few have felt the need neither to segment, cluster or group Aboriginal living conditions nor to produce a major categorisation between lifestyles, either because the main divide is perceived to a large extent to be evident in Australia or capable of creating undesirable divisions.

The urban-remote divide appears to be the most common expression cited to represent that divide and is used as a general device to refer to a number of aspects of Aboriginal social life in Australia. It has been used in a number of contexts since Altman and Nieuwenhuysen (1979) mapped a spatial division between ‘remote’ and ‘settled’ Australia that largely differentiated the south-east (and parts of the south-west) from the rest of the country for the sake of analysing the Aboriginal economy. Across the Indigenous economy context, the notion of clearly dissimilar contexts has further been connected with a number of observations related to Aboriginal conditions, many of interest to this report and listed below:

- studies examining the role of ‘location’ or ‘regional differences’ in explaining the propensity to participate in the mainstream economy (Rowse 1997: 118-119) as well as criticising the goal of equality (or elimination of ‘the gap’) in environments that can not possibly sustain it (Rowse 2002:7-10). It has been many times noted that inequalities between Indigenous and other Australians are greatest in remote or sparsely-settled areas (Altman 2009)
- the lack of research and policy work directed at Aboriginal urban economies (Langton, 2007; Sercombe 2008)
conjectures that economic support policies in remote areas have been less effective because successive
governments have failed to properly coordinate their efforts and to fund them adequately, resulting in
acute and visible need; as well as calls for different approaches to gap calculations (AGI 2009)

- the disadvantages (resulting in increased costs and prices and a lack of competitiveness) of operating
businesses in remote areas due to poor access to suppliers and markets, lack of access to skilled labour
and opportunities for informal and formal training and increased challenges linked with logistics,
seasonality and infrastructure maintenance (Fuller, Buultjens & Cummings 2005; Fuller, Howard &
Bulltjens 2005; Prideaux, 2002)

- the reduced prospects to develop ‘home-grown business opportunities’ in regional and remote Australia
as opposed to businesses whose goal is geographical expansion or the pursuit of new markets (Fuller,
Howard & Buultjens 2005)

- the analysis of the interplay between the customary and mainstream (capitalist) Aboriginal economies
across environments involving consistent surplus-sharing mechanisms operating at the extended
household level (Sercombe 2005 and 2008)

- the critique of one-dimensional ‘human capital theory’ by Rowse (2002; extending the interpretation of
Taylor’s work at CAEPR), in particular ‘the assumption that human capital is a single dimension of
marketable skill which one possessed more or less of’ and his consequent observation that ‘there are
different skills for different regions, and one does not acquire in mainstream education certain skills
which are highly relevant to working in some remote communities’ (Rowse 1997:132). This critical
observation leads directly to the prospect that the potential for participating in market-based economies
depends on the ‘extent of the market’ in a specific location, noted by few apart from Altman and Smith
(1992) and Rowse (1997, 2002), an issue that needs to be re-examined and re-formulated.

A number of strikingly similar and compatible views on the relevance of geographical dichotomies arise
from studies of remote Aboriginal communities in the Canadian literature, which include:

- arguments that there are inherent economic and cultural difficulties in stimulating business enterprises
in the remote micro-economies of Canada’s north (Quigley & McBride 1987);

- the advice to move away from reserves in the Canadian context so as to develop allow young tribal
members to develop competencies (Milke 2008);

- the categorisation of types of economies in Aboriginal Canada based on their market orientation and
spatial structure (Newhouse 2000a, 2000b).

While some aspects of that dichotomy seem all pervading in accounts of Aboriginal society, of economic
opportunities and of micro-incentives to participate, the substance of those differences shifts across theories or
examples. In some cases, the focus is on the nature of the milieu (being ‘urban’ or ‘rural’) and the cultural
implications as well as potential for discrimination. Other times, the focus is towards economic isolation and the
relative scarcity of economic opportunities. In most cases, the simplistic nature of such Aboriginal classifications
and their associated status is likely to be contested (Langton 1981).

The term ‘remote’ is popular in that context because it can embody both aspects, and refers to provisional
positioning. In the argument of this report, it is clearly the latter aspects (linked with the economic landscape and
scarcity of resources) that is most critical, and which plays a role in constraining the analysis and the logic of the
economic framework. To develop this context, it is relevant to redirect the examination towards the nature of the
economy itself.

The northern economy context

A full account of the nature of the Australian spatial economy is of course outside the scope of this report, and
would involve a number of contested perspectives. Approaches such as centre-periphery dependence models
could be used to analyse the relationship with the genuine mainstream Australian economy in the south-east
(with pockets in the metropolitan areas surrounding the continent) and describe the connections between these
‘centres’ where human populations, resources, infrastructure and capital have historically converged and
accumulated, to their hinterland. Staples theories of development (derivative from Innis 1930) and alternative
growth stage theories (Rostow 1990) could be discussed and disputed. The argument in this section is instead
based on the existence of a ‘remote economy’ separated from the mainstream one in geographical, demographic
and sectoral terms, using a few basic suggestions of its existence.

Obviously intermediate stages between mainstream and remote might exist (say regional, rural or peripheral),
and no attempt to delimit the notional division is to be undertaken. The substantive argument that will follow is
that in the north-west of the country, the economic landscape is significantly different from that found in the south-east in general, referred to as the ‘mainstream economy’. Such a peripheral economy is rarely analysed as such, partly because it cuts across jurisdictions on which statistics are based, and because data and frameworks do not support the logic of researching and funding such interests (although efforts to examine the ‘north’ and the ‘desert’ regions and economies have been enhanced with the creation of specific Cooperative Research Centres aiming at creating some unity across some of these environments).

Some clues as to the attributes of the remote (non-mainstream) economy can be formulated through extensions to the analysis of the Northern Territory (NT) for instance, which despite having a significant proportion of population living ‘in towns’ or in the main city of Darwin is non-mainstream in its makeup and in its development context. Anwar and Prideaux (2005) for instance describe the NT an economy largely dependent on transfers from south, reliant on its resources sectors, with a minuscule manufacturing sector and a services sector much smaller than those found in southern metropolitan areas. This is indeed the NT’s historical legacy which has been interpreted as a major challenge since before self-government (Heatly 1986). While these facts might seem trivial, they are based on a presumption that the comparisons are meaningful. They also highlight the extensive dependence on ‘net transfers of funds into the Territory from the Commonwealth to support welfare, for defence, and to assist government budget shortfalls’ (Anwar & Prideaux 2005:208). Rather than considering the possibility that the entire NT economy is better studied as a component of the Australian periphery in itself or as an ‘economic development project’ run and funded by Canberra for the sake of occupying the north and exploiting its resources, they compare this externally funded and administered venture (the NT) with the assorted economies found south.

It is therefore deemed useful for the sake of the argument of this report to delimit a basic division between two socio-economic environment types in Australia. This involves contrasting a notional remote or outback environment. The delimitation is in no sense exact, nor does it correspond to a clear regional-urban divide, and is meaningful from an economic developmental perspective. It can be argued that the larger parts of the north-west Australian region remains a developing economy (both in its urban, regional and remote components), largely powered by the southern states and Commonwealth administrations (and various supporting government agencies), and this notional region has been structured and evolved according to that logic. The south-eastern seaboard in contrast constitutes the mixed economy characterising mainstream Australia, its institutions and a better-integrated mix of urban and rural divisions. To give weight to the meaningfulness of the remote dimension, it is convenient here to refer to experts and analysts who have endeavoured to highlight the same divide for political purposes (as in the remoteFocus initiative, DKA 2008). Criticising the lack of recognition of that divide, the latter refer to a crisis of governance in remote Australia (contrasted to the mainstream economy) due a failure of state capabilities compounding the social, health and economic challenges facing Indigenous people in those ill-developed regions. It must be noted that the actual relative importance of the two notional regions varies according to various debates or issues, and is not consistently approached in terms of the attention they get and the perceptions generated.

What matters most for the claims made in this report is the relevance of the divide for analytical purposes, relating to the questions of the objectives of Aboriginal economic policy and subsequently the role tourism can play. As a start, it can be generally noted that viewpoints about the role of the market in the political economy of Aboriginal development might fit different environments. A list of features pertaining to the northern Australian context can facilitate the discussion. While these are suggestive, they focus on social and economic aspects relevant for the assessment of tourism’s role for Indigenous development:

- The notional northern region encompasses many remote regions and towns and is best described as a developing economy (or amalgam of developing regions) where the majority of economic activities are driven, planned or dominated by government initiatives (irrespective of Aboriginal presence or participation)—and are either supported, financed or managed by the public sector (see Desert Knowledge Australia DKA 2008). That theme will be developed further in the next chapter.

- Many communities in those regions were not established on the basis that they hold a formal economic base (in the mainstream sense) and remain so. In their everyday operations, these communities depend almost entirely on various forms of welfare payments filtering in, or support programs. In most cases, there are very few alternative possibilities to earn an income through sustainable employment from the private sector. Regional centres spread in those remote regions serve as distribution systems of goods and public sector services, and complemented by private sector equivalents and pockets of entrepreneurs.

- Despite considerable challenges in providing health, education and appropriate well-being services, migration away from such remote communities seems significant and poorly understood. A well
documented urban drift has been observed in some locations, while limited mobility has been detected in others (Taylor & Bell, 2004). Conjectures attempting to explain the latter include the presence of cultural ties to the land or to specific cultural groups, social inertia due to perceptions of disadvantages or lack of opportunities in the mainstream economy, etc.

It should be apparent that the prospects of radically and rapidly transforming the economy of such remote-peripheral regions are limited, and the entrenched dependence of people living in the most remote communities on various forms of welfare payments is not the only obstacle. Altman (1988, 2003, 2004) and Rowse (1997, 2002) have repeatedly pursued these themes. Moreover, the social and economic ‘fundamentals’ of such regions are quite distinct, and this constitutes a claim that has been less examined. The types of resources and skills base found in such regions are also radically different, and the potential role that new, marginal private business developments can play needs to be considered in the context of such limited skills sets where personal (or individual) decisions are shaped by the knowledge of limited opportunities to use any specialised skills. It also explains why, those who specifically turn their attention to those regions prefer to analyse economic capacity and doubt both the logic and the practicability of simply relying on a greater use of the market, as they doubt laissez-faire will result in genuine increases in Aboriginal human capital and foster the creation of a home-grown economic base.

The table below is modified from Tremblay and Wegner (2009a:38–9) and summarises the key aspects of the mainstream/remote dichotomy used to describe the broad contexts of economic growth and development in Australia for this report.
Table 1: Key differences between the mainstream and remote Australian economies and tourism systems

<table>
<thead>
<tr>
<th>North-west/remote</th>
<th>South-east/Mainstream</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview of regional and tourism attributes</strong></td>
<td><strong>Overview of regional and tourism attributes</strong></td>
</tr>
<tr>
<td>• Aboriginal population is large relatively to non-Aboriginal</td>
<td>• Aboriginal population might be larger than in N-W in absolute terms</td>
</tr>
<tr>
<td>• basic economy is peripheral to mainstream: government-driven, fragmented and dependent of primary and tertiary sectors as well as transfers</td>
<td>• this is the mainstream Australian economy</td>
</tr>
<tr>
<td>• tourism is a key industrial sector (in towns and key locations), and plays a significant role in some regional development, mainly driven by govt infrastructure development and government planning priorities</td>
<td>• tourism role is unequal, very high in key services centres and iconic coastal facilities, very unequal in the regional landscape—driven by specific community interests</td>
</tr>
<tr>
<td>• culturally, it embodies urban and semi-urban Aboriginal populations as well as the majority of ‘remote-basic community’ living conditions</td>
<td>• embodies a diversity of living conditions for Aboriginal people, and the ability to choose lifestyle and connections with community, the ‘land’ and identity</td>
</tr>
<tr>
<td>• land issues dominate culture, politics and Aboriginal affairs</td>
<td></td>
</tr>
<tr>
<td>• can be characterised as a developing economy with respect to its functioning, while living standards very considerably.</td>
<td></td>
</tr>
<tr>
<td><strong>Job market</strong></td>
<td><strong>Job market</strong></td>
</tr>
<tr>
<td>• creating employment opportunities is critical in some regions, but needs refined understanding of relationship with welfare support and programs, and the connection with land, mobility, the politics of community support, the provision of essential services, etc.</td>
<td>• creating employment opportunities is critical in some regions, but needs to be understood in the context of training needs, skills, education opportunities and individual, family or community choices to participate in the market economy</td>
</tr>
<tr>
<td>• requires more understanding of customary and institutional limitations, as well as job market innovations to participate in various types of jobs.</td>
<td>• subtle links with small business and entrepreneurship potential in distinct locations, and access to finance and attractions.</td>
</tr>
<tr>
<td><strong>Business concerns and entrepreneurship</strong></td>
<td><strong>Business concerns and entrepreneurship</strong></td>
</tr>
<tr>
<td>• tensions between individual or family-based entrepreneurship and community-based models, although both can cohabit</td>
<td>• issues for Aboriginal people include main challenges for any regional tourism SMEs, and ability to acquire and use marketing knowledge (tourism system), build networks, etc.</td>
</tr>
<tr>
<td>• programs to initiate communities to tourism reality relevant</td>
<td>• conventional suggestion to consider joint ventures between Aboriginal and non-Aboriginal.</td>
</tr>
<tr>
<td>• important to consider and research different roles for Aboriginal ‘inputs’ in tourism production—other than only culture, linked with land and specific activities</td>
<td></td>
</tr>
<tr>
<td>• important to research opportunities offered by institutional spaces such as joint management in parks.</td>
<td></td>
</tr>
<tr>
<td><strong>Cultural dimensions/ sustainability</strong></td>
<td><strong>Cultural dimensions/ sustainability</strong></td>
</tr>
<tr>
<td>• cultural and social dimensions are integral to the maintenance of communities and the ability to participate in tourism at the regional level—community access management and safety concerns being relevant</td>
<td>• cultural dimensions, cultural control, interpretation and identity paramount in fostering support for participation in tourism—and allowing some cultural commodification to take place when developing tourism, hence the fuss about authenticity, and representations of Aboriginal lifestyles (primitive vs. contemporary images, etc.).</td>
</tr>
<tr>
<td>• ability to extract economic rents from tourism needs to be demonstrated and used to address broad social and cultural issues</td>
<td></td>
</tr>
<tr>
<td>• conflicts between tourism and customary needs and resources might be relevant.</td>
<td></td>
</tr>
</tbody>
</table>

The dominance of government sector and planning in the remote economy

The argument presented in this section has also been insufficiently scrutinised and could constitute a major economic thesis in itself relating to the nature of the Australian backcountry, outback, periphery or hinterland, depending on the terminology preferred. The previous section has argued that, at some level, it is almost a truism to place the Australian economy and society (in its a mixed and mainstream form) in the coastal metropolitan areas located in the south-east and to present the north/centre parts of the continent as constituting the periphery.
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\textit{frontier, border or margins} of the former in economic terms. This is so despite the strong identification that Australians have with the general imagery, landscapes and people associated with that remote outback. The latter aspects culture and national identity have been commonly examined, in contrast to the dearth of information and theories related to the economics of the remote north-west, perhaps because the latter has rarely been considered a distinct entity.

The previous section suggested that the absence of comprehensive theses on regional and remote development in Australia’s non-mainstream economy could be explained by:

- the fact that its jurisdictional bureaucracies (and the key statistics they produce) do not work in concert to expose the empirical nature of those regions nor support unorthodox theories
- the isolation and relatively small size of the Australian economy means that economists have long been more interested in understanding the connections and implications of remoteness as a concept applying to the whole Nation in relation to the rest of the world, and how this has been suggested to impact on economic growth stages (Blainey 1966)
- the view that much of those less economically developed Australian regions could be interpreted as constitutive of a conventional hinterland—in the sense of a resources belt inter-dependent with coastal metropolitan areas located in each jurisdiction—and dictating economic flows.

The latter view assuming bilateral inter-dependence between distinct hinterlands and capital cities is not altogether implausible for the major states which include an \textit{outback}, but must be regarded as simplistic for the NT, an economic entity which itself depends on the rest of the nation and plays partially the role of a resource belt. In fact, it can be argued that much of the NT attracts more financial inflows than it contributes to the NT economy because it constitutes a developmental venture. The perspective favoured in this report is that the outback regions found in the economic periphery could be interpreted as ‘developing economies’ in the Australian context. They are developing because:

- they hold insufficient economic bases to support the political imperatives to ‘occupy’ the region, its land and resources, the latter having historically justified the huge bureaucratic apparatus and funding mechanisms keeping it going (Heatly 1986, Garnett, Woinarski, Gerritsen & Duff 2008) and;
- they display continuing structural imbalances (comparatively to other Australian regions) and are constantly needing to be attended to, through various forms of intervention, support, transfers, etc. from outside and without adequate say in their own future (Desert Knowledge Australia DKA 2008 ).

The claims above should be interpreted as postulates and rationale for the notion that government activity pervades the outback and northern economies of Australia. This assertion is tricky to substantiate, and would be considered obvious by some commentators and contestable by others, which is the justification for including this section. From this point on, the term ‘periphery’ is used to refer to the aggregate non-mainstream economy making up much of the north-centre-west parts of the country—and merely signals the fact that it is not the mainstream. This term does not necessarily imply the endorsement of a centre-periphery model or perspective on development, as it is not the purpose of this section to contrast or defend alternative development theories. The key point is that the periphery is characterised by the overwhelming dominance of government-led allocation of resources (whether that government is assumed to act in the interests of its constituents or of economic interests located outside the periphery).

Reference is also made to ‘remote’ regions (themselves parts of the economic periphery) to portray areas with particularly fragmented and exhibit fragile economic bases. Fragility can refer to inadequate resources availability (human, financial or other) and to the mix of industrial sectors, very patchy in general and uneven across regions. The command and influence of the ‘government sector’ in such regions refers not only to the proportions of employment in government or dominance of its sectors within the economy, but also to the ‘planned’ nature of the regional economy and disproportionate level of direction provided by its bureaucratic institutions. Nor does it refer merely to those institutions derived directly from the state, as it includes complex layers of non-market mechanisms reaching in the regional and local bureaucracies which dominate remote regions. This section uses deliberately the term ‘government’ rather than to public sector because it is concerned with the logic behind the allocation mechanisms which has created remote economic institutions (the need to ‘govern’ the economy), rather than their organisational expressions and representation in terms of relative jobs or budgets.

From a macro-economic perspective, the growth of Australia’s north can be depicted as having been driven by Commonwealth government transfers—with some claiming that ‘about 80 percent of the money spent by the Northern Territory government derives directly or indirectly from the Commonwealth’. While for Western
Australia and Queensland, the support to remote regions is probably hidden behind those state’s own, more substantial outputs (see Garnett et al. 2008:14). In transfer terms, this has led to far above average revenue assistance under fiscal equalisation than any other parts of Australia. While the imprint of Commonwealth support is more subtle in some areas than others, it can take many forms other than direct intervention and takes place across all aspects of the Australian peripheral economy, for instance in the areas of Indigenous support sector, infrastructure, major projects, large scale environmental management, border security, contested mining projects, etc.

This is not to argue that there is no market sector, no private businesses and that the ‘taxi economy’ does not exist (Dodson 1991). Private sector operated businesses participate in the allocation of resources (especially in the town centres) but in a derivative way in general. The broad argument is that markets are ancillary in the logic of remote economic systems, and that broad government development programs (as well as the considerable direct employment of resources by the state) determine by and large that allocation and its distribution. Pritchard (2005) compares northern Australia with other remote economies, mainly ‘the semi-public economies of relatively isolated regions in New Mexico and Arizona in the United States, where economic multipliers from Federal government defence and research contracts are the major engines of local economic activity’ and where a ‘developmental’ agenda remains. In his view, ‘the public sector presence in northern remote Australia derives mainly from the equity and equalisation requirements attached to Australian citizenship’ and which is supported by private sector businesses sustaining that process. The latter refers to the work of early institutionalists such as John R. Commons who described the institutional processes by which State development occurs as broader than the extent of the bureaucracy:

[The] state also proportions the factors over which it has control. It opens up certain areas, localities, or resources, instead of others ... It encourages or protects certain businesses or classes of business, certain occupations or jobs, rather than others. It restrains certain activities deemed detrimental to the whole. Its proportioning of factors is the proportioning of inducements to individuals and associations of individuals to act in one direction rather than other directions. (Commons 1924)

The ‘taxi economy’ (dubbed by Dodson 1991) complements the above picture as it portrays monetary circuits initiated by government transfer payments moving to the private sector services (in towns and regions) and eventually maintaining remote regions in such government-initiated static traps. But the apparent trap lies really with the engineered nature of the economic development project in question. When remote development derives largely from subsidised bureaucratic endeavours, a tension is created between the desire of faraway locals to appropriate the resources and the means to extract economic rents associated with them (the logic of capitalistic development) or to call for increasing needs and ever-increasing reliance on the central government (in the paternalistic reading). The inevitability of this type of trap is admitted by Ah Kit (2007) when looking for avenues to build local economies in the NT through engagement with the private sector. He indirectly sets a target by declaring that ‘most economists will tell you that government can only ever provide for up to around 30 percent of the jobs in a full economy—the rest has to come from private enterprise’.

To this day, it is often the case that calls for more State intervention arise, side by side with calls for a shift away from it. While this report does not prescribe any particular direction or strategy, the main claim is that government and bureaucracy steer the remote economy to an extent insufficiently acknowledged and, by extension, markets play a relatively minor role within it. This is assumed to constitute the developmental reality of the Australian north-west periphery.

Such points have been made more directly and repeatedly in the North American context, where analysis of the periphery has involved considerations of the interplay between government planning and its excesses as well as deficiencies. In fact theories of Indian dependency due to the overwhelming role of the state in the US (Anders 1980, McDonald 1994) preceede considerably the relatively congruent arguments by Pearson, the latter being focussed largely on only one aspect of government dominant role in remote Australia: the welfare sector,. In early Canadian theories, the government was often depicted as an accomplice in the post-colonial project of resources and land capitalist appropriation, or at least in redirecting the surplus arising from it in some form. This view has a strong parentage with Innis’ (1930) staple theory of the Canadian frontier where the state facilitates foreign industry (by providing infrastructure, transport and communications services) on opportunistic grounds, so as to extract a small number of discretely chosen commodities seen as profitable. But if the staples theory applies to peripheral economies in the North American context at least, Anders (1980:690) argues that North American aboriginal ‘reserves were not considered labour pools for white industry, mining, and agriculture, but simply served as a means of removing Indians from desired lands.’ Anders continues with a
colonial/centre-periphery interpretation that includes a description of the dynamic elements that sustained dependency (poverty) and welfare. He claims that Indians (whether they lived on tribal reservations under the Bureau of Indian Affairs control or not) eventually drifted towards grinding poverty because of the effects of overwhelming dependence of a number of government institutions (Anders 1980:691–2).

In contrast, Hosmer and O’Neill (2004), although not disagreeing on the validity of the dependency perspective to historically explain poverty, argue that some indigenous people and tribes succeeded in ‘crafting alternative strategies or pathways of development’ and admit that shifting governments were ambiguous about the role of market participation, for instance that ‘the U.S. government tried to inculcate a sense of business enterprise among the Indians but wanted to regulate it at the same time’, on top of ‘getting caught in these webs of kinship and obligations of reciprocity’ (La Vere 2004:53). Berman (2004:138–9) contributes direct observations on the bureaucratic reality of Indian life, partially due to the unique political and legal status of tribes as recognised by the US government, and in part connected with the bureaucratic apparatus that this implies. The similarities with Pearson are striking when she argues that ‘within the reservation economy, American Indians continue to live within the most bureaucratic communities in the United States—beginning at birth’ (Berman 2004:139).

However, she notes that most government economic development plans in the US focus on reservation economies and thereby ignore the fact that individual capitalist entrepreneurs are generally absent on Indian reservations. Such recognition has usually led the abundance of research and policy recommendations connected with the popular topic of encouraging Aboriginal entrepreneurship in Australia and elsewhere, which attempt to debunk myths about Indigenous capabilities (as entrepreneurs) and often leads, paradoxically, to recommendations to provide additional forms of assistance—in the form of education, training, tools, skills, etc. (Foley 2006; Mapunda 2001, Nikolakis 2008, Russell-Mundine 2007). It must be noted that it is sometimes asserted that Australian Aborigines display less entrepreneurship than Indigenous people in New Zealand and Canada. This leads Wilkins (2007:588) to argue that Canada and New Zealand have ‘adopted a ‘nation building’ approach by following humanistic economic development theory as the government has shifted from assimilation to fostering self-directed indigenous development’. This is contrasted to case of ‘Australia [which] operates under structuralist and dependency economic development theories, as the Aborigines are merely supported by ‘mainstreaming’, rather than efforts to invest in genuine entrepreneurship. Wilkin’s commentary highlights the gap between the pro-market rhetoric and intentions of peripheral government bodies, and their insidious controlling tendencies.

While entrepreneurship is relevant to this discussion, the argument of this section goes beyond the presumption that what has been lacking is the transfer of entrepreneurial skills to make the market economy eventuate. This is a rudimentary interpretation of entrepreneurship and it helps to raise the following questions in the context of a government-dominated economy:

- Can entrepreneurship be learned from institutions and bureaucratic advice or does it require a market environment?
- Can it be home-grown (in the sense of Fuller, Howard & Buultjens 2005) or is it going to lead to further skills import?
- Can it occur where when governments already fill in the key strategic industries or domains? (despite rhetoric of facilitating)
- Can it occur when government regulation delineates the space of opportunities?
- Can it occur when the few local income flows are entirely dependent on and funded by the government (as in the taxi economy)?

The ambiguities identified above regarding the effect of a government-directed economy are also recognisable in the opinions of those operating in the field of Aboriginal community development where the State is often seen as simultaneously doing too much and not enough, while the market is believed to constitute a threat and a solution (Newhouse 2004:35–6). This has given rise in some quarters to the view that the overwhelming infiltration of the government, by design or by default, is not at guilt and that economic development is mainly a problem of governance. This further suggests that better governance and more appropriate institutions will allow ‘development’ (Cornell & Kalt, 1992, Newhouse 2004, HRSCATSIA 2004).

Interestingly, the literature on Indigenous governance includes considerations of the process to identify ‘aspirations’ (HRSCATSIA 2004:11), although it is generally framed inside a bureaucratic planning formulation. Recalling Appadurai’s assertion that ‘we can not take for granted the capacity to have aspirations’, it is likely that such state-led processes to uncover ‘wants’ might conceal the fact that meaningful aspirations must be born out of opportunity, freedom and responsibility.
In concluding this brief discussion of the claim made that Australian remote economies are dominated by the logic of government planning and development, it is useful to return to Rowse’s claims that:

‘the Indigenous sector is neither the ‘state’ (though it is almost entirely publicly funded), nor is it ‘civil society’ (though its organisations are mostly private concerns in their legal status). Rather the Indigenous sector is a third thing created out of the interaction—sometimes, but not always, frictional—of government and the Indigenous domain. The Indigenous Sector is an important source of Indigenous choice. That is, Indigenous individuals and households in many regions can choose whether to get basic services such as health, housing and education from either a mainstream or an Indigenous Sector provider’ (Rowse 2002:13).

While it is true that this interface might create a source of choice (in a short-term perspective on choice), it seems unlikely that it constitutes a source of increased freedom when the Indigenous sector itself is only an agent for the delivery of government plans and subsidies. In that sense, the latter carries out functions similar to those of the private sector in those regions, operating as substitutes for bureaucratic delivery.

Conclusion—Economic Choice and Freedom as the Objectives of Aboriginal Development in Remote Australian Regions

This chapter aimed at combining views and topics related to Aboriginal economic development by choosing opportunistically material fitting the contexts relevant to the present study. It addressed some basic themes and explored dissimilar interpretations of economic development and of participation in the mainstream economy that have been put forward by representatives of contemporary discourse. Apart from considering some key contributions to the field, it extracted vital elements that pose conceptual difficulties and made some claims expected to be useful for the sake of addressing the questions raised in Chapter 3 about tourism and Aboriginal economic development.

At the end of this chapter, a perspective is starting to take shape on the directions needed to pave way to a framework, and the theoretical elements and models needed to construct it. It is useful to review some of the key arguments (from Chapter 4) in the light of the discussion that followed. One can contrast Altman’s earlier work on forms of Aboriginal economy with his later work on the hybrid economy with respect to the evolution of fuzzy economic system boundaries, and the place of Aboriginal communities play within it. In the early work (Altman & Nieuwenhuysen 1979:xiv), reference is made to a dualistic (or mixed) economy constituting a spectrum ranging from the subsistence end to the ‘monetarised’ end, similar to what would nowadays be referred to as customary vs. mainstream spheres. It is also noted that the pre-white settlement economy was ‘basically tribal, and extensive, non-specialising, non-competitive, non-exchange and non-monetised’ (Altman & Nieuwenhuysen 1979:xi), the entire characteristic attributes of the ‘market’ being absent. References to ‘decentralised communities’ as being ‘divided between subsistence, or non-market, and market-oriented (or cash income earning) activity’ (Altman & Nieuwenhuysen 1979:87-8) also seem to explicitly oppose subsistence and market. Sercombe (2005, 2008) likewise focuses on the tension between the core logic of market capitalism (based on ‘accumulation’) and the sharing mechanisms embedded in the customary economy and culture.

While the subsistence-market dichotomy has been emblematic of the early problematisation of Aboriginal participation in the economy, and paralleled analogous work in North America, it does not convey accurately the mixed nature of the mainstream economy in remote contexts, and the tension between models and realities incorporating lesser or greater role for government and public sector activity. Altman (2004) remedied that conceptual omission by later suggesting a hybrid representation where ‘government’ and ‘market’ constitute alternatives to the customary component. In his later work, the three notional sectors are complementary, but Altman notes that ‘public sector intervention’ is necessary to underwrite the management of their resources and the ability of Aboriginals to move between the sectors (Altman & Dillon 2005). On the other hand, the possibility that the presence of the government could be invasive in the periphery to the point of undermining the possibility of, or incentives for, market expansion and encroach even on the customary sector is not considered.

When providing examples of Aboriginal engagement with the market (mining, arts and crafts, fisheries, cultural tourism, NRM and land management, etc.), reference is made to regulatory barriers and lack of access to appropriate structures and resources—most of the discussion being about insufficient and excessive state boundaries for the sake of supporting economic growth (Altman 2003). The prospect that insufficient market opportunities constitute the main constraint to market growth is often mentioned, but usually refers to different
circumstances akin to structural constraints. In some cases, reference is made to the absence of an economic base (in the sense of natural and human-cultural-social resources that can play that role). In other contexts it can refer to the absence of entrepreneurial skills (Hosmer & O’Neill 2004, Nikolakis 2008). By the claims made in the last section, it might also result from excessive government involvement resulting in a form of crowding-out of market capabilities, a notion to be explored in Chapter 5.

While a lot of criticisms are regularly raised against the ‘Indigenous support industry’, it usually goes towards lack of transparency, its inability to transfer capabilities, and failures to expose potential entrepreneurs to the real world (Nikolakis 2008:5.1.3.4). This usefully reveals some potential contradictions arising in the way capabilities are perceived, and the expectations placed on governments and the public sector realm. On one hand it is expected from ‘the government’ that it will ‘teach market participation’ to Aborigines located in remote economies and help them creating competencies to ‘operate in the market’ while the bureaucracy is itself struggling to deliver services that constitute its core mandate. On the other, the public sector is also assumed to be capable of managing the interface between a number of elusive sectoral entities, and adopt a pro-market outlook.

To do so, it must strive to support the complex and intangible customary sector and develop a set of quasi-market options or possibilities deemed favourable for Aboriginal competitive advantage which remain, as can be seen from Altman’s examples, highly dependent on government investments, support and maintenance. It is expected to do so while ‘running the public sector welfare economy’ of Australia’s periphery which underwrites the livelihoods of many—through its transfer payment schemes and its provision of health, education, housing and other services. Lastly, it has now embarked more earnestly than ever before in setting targets to transform those remote economies into mainstream economies insofar as indicators go (Altman 2009). It is probably timely to question whether it can achieve so much and whether it is the best engine to promote economic choice and freedom in that context.
If the previous chapter has explored the diverse arguments supporting or cautioning against Aboriginal participation in the mainstream economy, it also included concerns regarding the nature of the remote economy in terms of its inherent and historical geo-economic limitations. The last few sections argued that structural weaknesses in Australia’s north-west economic periphery entail natural, social and institutional features that potentially shape the limited capacity of smaller and fragmented remote economies to drive progress and wellbeing. To this was added the notion that attempts to frame participation objectives and approaches must take into account the long history of government-driven development that will necessarily impinge on idealised efforts to promote market participation and potentially obstruct them.

Theories of Economic Development and Aboriginal People

It is time to turn the discussion more directly towards economic theory to find some conceptual assistance to the questions of development of interest to this report. In particular to consider the way economic theory frames institutional development choice and deals with the twin need of change and stability. It helps to ask: How does economic theory approaches the question of what options exist to help Aborigines achieve progress through greater participation in the economic life of the periphery and its remote communities, and what ways are most likely to provide them with the freedom to shape their own future and institutions?

It must be apparent to anyone familiar with relevant fields of economics, that relatively little research and discussions discussed before apply readily to this formulation of the problems, although Pearson and Rowse (Chapter 4) clearly reached towards such political economy considerations. While a specific economic methodology and approach to growth and development will be adopted in this chapter, it is worthwhile to briefly speculate as to the causes behind the mismatch between the directions taken by orthodox Development Economics and the requirements for this study. These reasons have to do with the:

- the framing of Development Economics as a field of enquiry;
- specific theoretical bottlenecks arising from the study of hunter-gatherer societies when transposed into modern contexts; as well as
- the geographical construction of developing societies and the focus on the Nation-State.

The field of Development Economics as such has had a long, contested and respectable history, but it would be fair to argue that it has been largely concerned with the sources and reasons for western or European progress (and its associated colonial endeavours) and looked at the institutions and conditions of other countries to explain their different development paths. A large component of such approaches has involved modelling development in terms of successive stages of growth, and examining the conditions supporting such shifts (see Rostow 1990). This perspective on economic transformation had itself encompassed a large number of views on the role of technological and social regimes, and ensuing transformations in institutions as well as the use of factors of production, and so on. A critical line of enquiry within that research has been directed at the transformation of economic systems into (and from) agrarian societies, to eventually become industrial and services-dominated social orders or forms. This process largely paved the view for numerous policy recommendations concerned with the conditions needed to successfully transform in a step-by-step manner and eventually emulate the prescribed sectoral composition characterising ‘idealised’ modern economies. In such perspectives, ‘underdevelopment’ is portrayed as ‘transition blocked’ (Foster-Carter 1978) and reflects an inability to put in place the appropriate institutions, forms of capital or technology that would have propelled it forward according to that logic.

Hunter-gatherer societies were always neglected as objects of enquiry in economics and remain to this day the domain of anthropology. The significant number of economic anthropologists who explored that interface established scientific connections between hunter-gatherer cultural institutions, technological choices and the
volatility and attributes of resources, ultimately explaining the role and existence of such communities by linking them to environments that were not conducive to agriculture. They have shown these societies to be highly adaptive to such natural conditions and displaying tailored technological capabilities as well as some amounts of creativity to match those conditions, but also demonstrated their limited extent of the division of labour (and perhaps under-use of labour). Sahlins (1972) insisted that the rudimentary nature of their skills was not a condition of poverty, but better regarded as a cultural and social form of control of ‘needs’, itself constituting an expression of domestic freedom. By demonstrating the unavoidability of limits to the division of labour for small groups surviving through flexible adaptation in conditions of environmental harshness or volatility, conjectures about the pre-colonial subsistence economy have relegated the hunter-gatherer mode of production to a theoretical (and perhaps political) dead-end, given the incompatible emphasis on the centrality of ‘unfulfilled needs’ in neoclassical economic theory (also observed by Sahlins 1972).

It is convenient to add that the sub-discipline of development economics has been historically more often associated with macroeconomics and applied to examine the conditions of countries categorised as less developed, rather than regions within them. According to typical indicators (and irrespective of the appropriateness of terminologies and validity of the measurement), countries such as Australia, Canada, New Zealand and the United States do not fit in the general domain of those enquiries. The existence of less developed sub-regions or sub-societies within such countries has constituted a worthwhile object of interest for other sub-disciplines, among which economic history of post-colonial societies and regional development economics have played noteworthy if contestable roles, and feature examples of orthodox and heterodox economic analysis.

This chapter sets aside such big questions of contemporary geographical political economy nor is it concerned with attempts to reframe them as macroeconomic imperatives. It will instead concentrate on analytical developments originating from another cross-cutting field that could be coined ‘organisational economics’ and which brings together concepts utilised by a number of Economics schools of thought, including Evolutionary and Institutional schools.

To make this endeavour manageable, only a few strands of this growing field will be reviewed and utilised, the focus being on the analysis of one of its main advocates and thinkers, Emeritus Professor Brian Loasby. Loasby’s (1976, 1986, 1991, 1999) erudite interpretation of economic development as a problem of knowledge growth and coordination, brings together aspects of cognition, aspirations, institutions (markets, firms, and bureaucracies) with a sophisticated understanding of the various forms and dispersion of knowledge. The latter has dedicated much of his late career towards uncovering the processes of knowledge growth, based on organisational division and connections, and links these principles to the original directions of economic enquiry (Loasby 1999). Economic development in the context of his work is concerned with the ways knowledge evolves, is allocated and distributed, or to use the words of Adam Smith—how ‘labour’ is divided. Economic development in Loasby’s framework is represented by the evolving capacity of economic institutions (the mix of markets, firms, bureaucracies, political processes, etc.) to coordinate increasingly specialised and interdependent forms and fragments of knowledge and provide the conditions to sustain their progress and usefulness. The terminology of ‘competencies’ or ‘capabilities’ that is used in this chapter embodies those principles and fit particularly well the view taken of the challenges of Aboriginal and remote economies: That is of choosing which economic capabilities to develop, and which institutions are most likely to support those developments, recognising that such choices involve opportunity costs in themselves and must be based on a realistic account of the remote economic landscape.

The nature of ‘knowledge’ and its subjectivity, and the move away from interpretations presenting it as a technology map accessible to all is clearly critical to the argument (Loasby 1991, 1999). The philosophical stance developed by evolutionary economists is that knowledge is by nature incomplete and that economic agents make conjectures, often erroneous, about the types of capabilities they will need in the future to achieve their aspirations, but also that they learn to improve their conjectures (through trial and error) as they find their way in the mixed economy. The potential value of investments in a range of potential economic capabilities (that is learning in an evolutionary theory sense, rather than the assumed optimal calculations of human capital decisions found in neo-classical representations) depends on a number of key factors:
It depends on one level, on the particular learner’s own ability to absorb new knowledge (itself a feature of which knowledge they already possess); that is referring to the path-dependent nature of learning—and implies that your personal history and environment together shape your inclinations and ability to absorb new knowledge. In other words, what you already know influences what else (and at what speed) you can learn specific other things. This will seem trivial to education specialists, and yet is incompatible with neoclassical interpretations of human capital decisions.

It depends on the pre-existing organisation of ‘complementary knowledge’. Loasby has extended Richardson’s (1960, 1972) insights to explore at length the notion that the structure of the knowledge context facilitates or hampers new thinking and creative possibilities. Markets, firms and bureaucracies (and their interplay) feature different sets of facilitators and obstacles to knowledge evolution and adaptation. For instance, the organisation of industrial sectors incorporates industry-specific institutions and technological paths and implies that different industries or sectors learn differently. Capabilities in various industrial sectors therefore grow using different channels and follow different logical pathways. Competition and cooperation processes in that context can be analysed in terms of alternative learning mechanisms.

It depends on the nature of knowledge itself and the potential for creativity, this point expanding the previous. The growth of knowledge (or the capabilities they support) can take the form of intense cognitive extensions of pre-existing concepts (that is pursue an existing idea in greater depth), but it can also arise from the ability to make new connections between seemingly unrelated things, or ideas (what is usually associated with radical innovations). Drastically different novelty-generating mechanisms operate when alternative types of knowledge grow, and the nature of the cognitive networks operating (belief systems, skills, routines, learning establishments etc.) will affect the institutional frameworks needed to support that growth.

The extent to which various types of knowledge can be coded (or not) will also play a critical role, as the theory of knowledge supported by Loasby does not focus mainly on capabilities that can transferred through such simplistic mechanisms (such as generic information learned in education institutions), but emphasises the tacit nature of economic competencies at work in the market, and deduces that much knowledge is transferred or acquired by direct exposure to, trial and error or repetition of an activity which have led to the multiple variants found in the economic literature (learning-by-doing, learning-by-using, learning-by-experiencing, etc.).

Those views bring about critical limitations for proposals suggesting that knowledge systems can easily be engineered or reversed (just as cultural systems), without placing precise limits of what is possible and what is not from an understanding of knowledge evolution dynamics. While it is relatively easy to learn elements of a foreign culture, technology, set of habits, or a new industry (through training), it remains quite a different challenge to appropriate its desirable qualities, values, incentives systems and combine them with new aspirations to develop or evolve new competencies. It also warns against the simplistic conceptions of how participation (and learning) in industry or in markets can simply be taught, and that extensive funding of institutions specialising in specific types of knowledge transfer can achieve much. Finally, it also raises questions about the potential for the majority of individuals belonging to specific knowledge systems (Aborigines) or circumstances (remote-customary economies) can casually and sustainably shift between cognitive realms and economic spheres.

This general background to ‘the growth of knowledge’ perspective and the work of Loasby provides a profound critique of orthodox concepts of human capital which assumes that knowledge transfers are linearly connected with cumulative investments, themselves based on rational calculations of their value relative to alternative investments, rather than an understanding of the way knowledge is organised, in terms of its division, coordination and eventually growth. The notion that organisation must involve institutions allowing for the exploration of new knowledge and their coordination leads to theories of how possible institutional mixes support economic creativity. Markets allow for decentralised novelty but they must be supported by institutions extending (through large arrays of connections—such as networks, culture and bureaucracies) so as to facilitate exchanges between agents holding small fragments of constructive knowledge). These essential connecting principles have been thoroughly explored in Loasby (1991, 1999) and provide a far-reaching framework allowing to explore the roles of markets, firms and governments in the process of economic development. These will be examined more thoroughly the sections that follow.

It is tempting to re-consider the discussion related to Aboriginal development futures in terms of the viewpoints discussed in the previous chapter, and to re-examine the way cultural and economic options were
framed by the authors discussed. Doing so in the light of the principles of the division of knowledge canvassed above might highlight the extent to which the selected authors (Hughes, Pearson, Altman or Rowse) seem to encompass the principles of knowledge incompleteness and path-dependency when discussing matters of culture and economic choice.

Are Aboriginal belief systems (the components that subsist and are distinct from mainstream) incompatible with the values and economic knowledge required to operate in the mainstream (market and government) economies? Is a clash of value inevitable and is exposure to the new economic environment the main reason for cultural deterioration? One possible view is that it is, and unavoidable. This would lead to recommendations of forgetting about its distinctiveness and its ‘inherent’ value (a problematic notion from an evolutionary perspective), for that value is being eroded to extent that this knowledge does not match its social or cultural reality anymore, a perspective here associated with Hughes (2007). Or, it is possible to recommended to maintain some of that reality (that is support conditions for the sake of sustaining that way of living and being), thereby preserving that cultural distinctiveness on philosophical grounds, perhaps the view endorsed by Rowse (2002).

For those taking that evolution for granted and more directly concerned with adaptation, important questions arise related to managing the transition of a customary system where knowledge applications were highly adaptive, but not accumulative, towards adopting and using mainstream economic knowledge. While Altman (2001, 2003, 2004) describes many instances of Aboriginal participation in the various spheres he identified, they rarely amount to new ‘capabilities’ allowing remote Aborigines to expand their potential (as individuals and as a group) and transform their economic and cultural landscape. At one level, this is a cautious recognition that any adaptation can only build on and must make use of compatible, pre-existing knowledge as suggested by Richardson (1972) and Loasby (1991, 1999) above. While the ‘hybrid economy’ perspective allows for a bridge between knowledge systems, it remains questionable whether the bulk of Aborigines living in remote environments can and/or are willing to operate simultaneously in the customary, ‘market’ and ‘govt’ spheres in meaningful ways and that their shifting between spheres is truly an expression of ‘choice’. In other words, it is unclear whether the proposal to ensure that they perform or live across such diverse systems will not foster fragmentation and create insurmountable obstacles to knowledge growth, as the nature of learning imposes limitations on such possibilities. As observed by Pearson (2002), some government institutions themselves, in particular those associated with welfare provision, that were required to maintain those possibilities and support choices during transition have created debilitating conditions. Those seem to have led to a reduction of the sovereignty or the ability to operate and independently choose knowledge growth options, in part because they have built expectations that the required knowledge would simply be transferred when needed. Evolutionary economics theory suggests instead that to be free as an individual or as a group is to choose one’s own capabilities (or embodied economic knowledge). To have an impact on the structures defining the substance of economic options and cultural evolution, choice is inevitable and must be embraced.

The human capabilities approach to economic development

The term ‘capability’ (and sometimes ‘economic capability’) has been associated with the influential work of development economist Amartya Sen (1992, 1999) during the last few decades. Sen has repeatedly scrutinised and confronted philosophical questions (in developing economies) related to the basis for ‘equality’ and for ‘freedom’ in the context of diversified societies. This has led him to suggest that ‘the freedom to participate in economic interchange has a basic role in social living’ (Sen 1999:7) and should not be limited to pro- or anti-market arguments, but ought to emphasise the analysis of the freedoms and un-freedoms that various mixes of institutions create for the sake of establishing paths towards sovereignty goals. This has been the context in which Sen has discussed the possibility that attempting to retain or preserve culture and traditional ways might potentially constitute a threat to social freedom.

He has identified the key elements supporting the performance of social freedoms in contemporary societies as connected, initially with health and education, which have been dubbed as ‘capabilities’ in his more recent work. The ‘capability approach’ that has arisen from it constituted a critique of prior, established beliefs in development studies. Sen’s framework shifted the basis for comparisons of wellbeing from traditional measures of income or goods to some loose evaluation of combined personal, social and cultural capital making up a person’s ‘capability’. He also insisted that happiness or similar utilitarian measures could not in practice constitute the basis for comparisons or assessment of freedom, and that the focus should be redirected towards the social arrangements that support or deny capabilities to participate in the economy in various ways. In Sen’s
framework capabilities constitute ‘a set of vectors of functionings, reflecting the person’s freedom to lead one type of life or another’ (1992:40). It is in Sen’s (1999:14) discussion of positive and negative attributes of freedom that it appears more clearly that his rhetoric does not simplistically support a pure laissez-faire argument, and that he accepts that government interventions in the context of economic transitions is required to establish the positive freedoms that some communities presently lack. The notion is clarified when Sen refers to ‘equality of opportunity’ as positive actions to provide education, health and political coherence. This general perspective has been welcomed by analysts concerned about the theoretical foundations for some form of actions or intervention such as Nussbaum (2000) who distinguishes between capabilities that are innate (acquired at birth), internal (due to personal development and investments) and combined (meaningful only when supported by appropriate political, economic and social environment for their exercise).

That approach is surely relevant to contemporary development analysis of Aboriginal Australia, and has permeated Pearson’s thinking. Pearson (2002) shifts the language slightly in the context of Aboriginal Australia to propose that lack of ‘responsibility’ rather than lack of ‘opportunity’ is the root problem (see Davidoff & Duhs 2008). This alludes to a significant disagreement with the notion that most Aboriginal economic agents can autonomously make informed choice about capabilities (that are valuable in the mainstream economy), and the extent to which the public sector is capable of providing the appropriate environment for the formation and emancipation of the skills to make such sovereign decisions. This in turn suggests reasons why, despite best intentions, the overwhelming planning and structuring of capabilities and delivery processes by extensive and costly bureaucracies has failed to ‘achieve’ education, health, housing ‘outcomes’. While those capabilities are claimed to serve the greater purpose of freedom (as claimed by Sen 1999), the logic of the system in charge of delivery interferes significantly with the intended sovereignty reflected in those choices.

The argument presented in this research requires an alternative interpretation of ‘economic capabilities’), although recognising the value of Sen’s arguments. To facilitate that task, it is useful to split the basic ‘functioning capabilities’ described above from the bulk of ‘economic capabilities’ that make up distinct economies. Functioning capabilities are required to operate in the mainstream economy (at the most basic level to be able to get a job, as basic as it might be), as described by Sen. The notion of ‘economic capabilities’ in contrast stems from the division of labour, and refers to distinct competencies and skills which support production and consumption systems actually capable of addressing needs or wants, the growth of which meaningfully leads to economic progress. Economic capabilities refer to something more intricate than the ability to ‘transact’ or of filling pre-defined jobs and have to do with the capability to contribute and participate by offering distinct assets or know-how. The next section considers how knowledge and skills to undertake actions are positively valued, grow and develop, which requires distinct conceptual tools despite terminological similarities.

Economic capabilities and the growth of knowledge

The concept of economic capabilities discussed in this section will permeate the rest of this chapter, and constitutes a key component for the framework developed in the next. Economic capabilities broadly refer to the dispersed skills, know-how, routines, knowledge and competencies required to run an economic system, which is to do things in the broadest sense. This includes what has been the traditional focus of economists—how to simultaneously produce goods and services, how to consume them (which also requires capabilities) and how to redistribute them if necessary, through a number of interacting economic institutions. These institutions include the market, but the principles discussed are not restricted to (and can not operate only through) market participation, as private and public sector instances of ‘organisation’ govern lives in the contemporary mixed economy (Simon 1957). Both markets and bureaucracies are involved in the process of knowledge creation, and interact with the customary system in remote Australia to explain how economic knowledge is distributed.

There is an enlightened and vital economic literature that makes use of such ideas, and borrows from a small set of fundamental concepts which were originally contributed by Penrose (1959), Richardson (1972) and extended significantly by Loasby (1991, 1999). As Loasby (1991) has himself endeavoured to demonstrate, these connected ideas have a direct lineage and are highly compatible with the foundations set by key classical economists (such as Smith, Marshall, Hayek, Schumpeter). It is essential to note that while the conceptualisation of the economy adopted here was subsequently overlooked when economists decided to reduce the scope of their field to specific categories of ‘problems’, this powerful unorthodox framework allows to elucidate key questions of economic development as interpreted by Adam Smith and Alfred Marshall, which have recently been rehabilitated within the Evolutionary, Austrian and Institutional schools of Economics (Loasby 1990, 1991).
As suggested in the chapter introduction, these ideas relate to the growth of knowledge analysed in terms of its institutional apparatus, and they make use of the somewhat confusing terminology of ‘competencies’ and ‘capabilities’. The latter terms happen to hold a number of possible interpretations in various areas of business and social sciences disciplines, some of which can conceal conceptual flaws when misappropriated or misused. The broad evolutionary-institutional terminology and its applications have mainly prospered sub-fields of economics largely connected with the industrial organisation, entrepreneurship, the theory of the firm, the economic of research and development, etc. as well as within the broader area of strategic management. In the more notorious business applications where they nowadays abound, theories of competitive advantage have established theoretical connections between corporate success and the ability to own, deploy and sustain key ‘competencies’ (sometimes also referred to as strategic resources or capabilities) that are somehow unique and can not be easily replicated by competitors (Foss & Knudsen 1996).

Evolutionary economics interpretations of capabilities have been directed towards examining questions that have traditionally posed some difficulties to neoclassical theory and constituted the subject of long controversies, such as the theory of the firm, the conceptualisation of management and of technology as factors of production, and specific sectoral topics where ‘capabilities’ concepts fitted readily, mainly related to the growth of high-tech industries. In the field of economic geography, the term ‘capabilities’ has been adopted by some researchers interested in explaining the variety of institutional forms (such as networks, clusters, industrial districts) that have been proposed for the sake of regenerating regions by innovating and building particular configurations of organisational capital valuable in the knowledge-based economy, and loosely referred to as ‘capabilities’ (Cooke & Leydesdorff 2006).

This section adopts evolutionary ideas linking capabilities and knowledge growth that mainly originated from applications to business and competitiveness developments for high-tech industries, so as to re-examine issues of the knowledge growth in the context of emerging-remote economies incorporating Aboriginal communities. The tremendous importance of the contested conceptualisation of ‘economic capabilities’ (as opposed to neoclassical technology) is sufficient to justify sticking to its imperfect terminology and using it to explore the role of markets, firms, and bureaucracies growing knowledge in modern economies, under Loasby’s guidance.

The fact that the crucial concept of ‘capabilities’ has not found its way in the specific field of development economics must be noted as it constitutes an unsettling enigma. It is most likely due to that field’s tradition and the way it has framed its subject. The dominance of macro-economic growth stages-types of models as well as the general alignment of economic development theories with neoclassical models representing factors of production such as human capital, finance-capital, land as simple aggregates have developed a specific, largely neoclassical agenda. A large share of development economics has been concerned with the merits of open trade as opposed to protection, the merits of some types of government intervention as opposed to others as well as the potency of various macroeconomic policy mixes to support economic growth. In general, achieving development constitutes a stated objective related to cumulative growth in such contexts, where trade-offs involving resources allocation and distribution of surplus constitute the main objects and choices of interest.

Rarely have development economists looked at the explicit issue of kick starting a regional or local economy at the micro level, or at circumstances involving populations with limited degrees of exposure to markets side-by-side with others where participation entails widespread exchanges of commodities. The possibility question of how to deal with circumstances where the government sector has been acting as a surrogate for autonomous choice seems to have attracted limited interest, except perhaps in the revival of neo-institutional economics thinking associated with the transition of former Eastern Europe economies when they became referred to as ‘newly industrialised’.

The limited circumstances of interest to economists as well as the narrow scope of questions and theories that have been interpreted as worthwhile researching might explain in part the absence of connections between two quite active research agendas. The dominance empirical work emanating from anthropological economics in the investigation of hunter-gatherer societies might also account for the somewhat surprising theoretical gap. To that extent, the development of an approach based on the growth and division of knowledge offers great potential to extend economic analysis towards institutional questions of relevance for remote economies and Aboriginal participation within them. The key constructs of that approach, in particular its theory of how individuals choose to invest in economic capabilities in contexts of high ambiguity about what the future holds for them, allow considering the ways in which various institutional mixes might support that formulation of aspirations.
The concept of economic capabilities in this context relates to the contextualised know-how needed to operate the economy in a sense compatible with the enunciation of aspiration and the acquisition of means to reach towards economic self-determination, as expressed in the previous chapter. In operational terms, it refers to knowledge of how to do (‘knowing how’ or know-how) rather than knowing what to do, the latter being the way economics has traditionally conceptualised technology as a blueprint or recipe (Loasby 1999). Variations on this theme are elaborated below, after the main arguments have been introduced. It should be noted that much of the emphasis of economists who have examined these questions is on the interplay of basic institutions such as the market and organisations in supporting the creation and distribution of know-how, in particular on the rationale and evolution of the firm as a specific type of organisation of great interest to microeconomic theory.

The concept of capabilities was in fact largely developed to address questions of the evolution of the firm, its growth and expansion in the context of market-dominated economies, and needs to be recast to consider how the division of knowledge might take place (or be undermined) in specific circumstances of market- or government-dominated economies. It provides fertile grounds for instance, to consider how different systems overlap during the evolution of emerging economies or to understand the limitations of remote economies essentially dominated by government institutions attempting to develop a market logic.

The remainder of this abstract section aims at showing succinctly that knowledge growth reasoning constitutes a genuine alternative to other approaches to economic development, that it displays noteworthy antecedents within classical and institutional economics, and most importantly, that the questions it raises are pertinent to the issues tackled.

**Adam Smith—the division of labour**

Adam Smith’s celebrated division of labour was a theory of economic progress, before anything else, which addressed questions that remain highly pertinent (Smith, 1981; Loasby, 1990). Smith asserted that the large number of interacting exchanges made possible by expanding markets creates opportunities for specialisation, which in turn call for further exchanges (Smith, 1981, p31–36). Jointly, in a growing economy, specialisation and exchange lead to productivity improvements and further economic expansion. The division of labour in Smith’s account was divided in three levels: division within a plant, division within a firm (but between plants) and division between firms. The fact that the ‘laissez-faire’ aspects of his broad theories have become a mantra for certain political ideals does not take away its potency as a core principle of development. Recast in evolutionary language, the Smithian division of labour represents a process by which new productive opportunities emerge out of the growth of interacting firms and markets, driven by new possibilities emerging from chance combinations (Leijonhufvud 1986). The crucial contribution of Smith was not that markets need to be central to all theories of progress (although they must be there in some form to allow the multiplicity of exchanges), but that labour-knowledge grows by division, and that its dispersion is part of any growth process (Loasby 1991).

**Alfred Marshall— the twin principles of specialisation and integration**

Despite being held responsible for methodological difficulties which have plagued the development of microeconomic theory for a long time, Alfred Marshall’s agenda was broader than usually recognised and included an attempt to understand how ‘industry’ grows in a dynamic context so as to expand Smith’s economic progress research programme in very constructive ways (Loasby, 1990). Attention must be directed at the features characterising Marshall’s broad view of coordination, starting with the combined principles of specialisation and integration. His broader conceptual frame to understand knowledge and economic development combines Smithian functional differentiation (labour specialisation or its division) with a parallel, ongoing process of integration; Marshall’s view being that economic development takes place through specialisation accompanied with increasingly intimate connections between economic functions. Similarly, the increasing division of labour implied creates new coordination problems, solved by new specialised functions, leading to external setup costs and external economies (if the interplay between firms allows for efficiency gains and further specialisation). The most straightforward analogy that can be made is with the evolution process from simple to complex living organisms characterised by increasingly specialised organs themselves coordinated by increasingly complex control processes (Loasby, 1990, p.111). Marshall’s representation of organisational evolution is clearly not one of unilateral movement towards either complete integration or complete decentralisation, but rather of a twin movement featuring increasing decentralisation (in the form of...
specialised markets and knowledge structures) paralleled with increasing coordination channels and redundancy. The latter can take a variety of forms including organisational structures such as businesses, bureaucracies and governments, to which Marshall added instances of ‘external organisation’ such as networks, clusters, industrial districts, and the like. Marshall was clearly ahead of his time by attributing to ‘organisation’ an important role associated with broad productivity advances by claiming that:

‘Capital consists in a great part of knowledge and organisation ... Knowledge is our most powerful engine of production; it enables us to subdue nature and force her to satisfy our wants. Organisation aids knowledge; it has many forms, e.g. that of a single business, that of various businesses in the same trade, that of various trades relatively to one another, and that of the State providing security for all and help for many’ (Marshall, 1890, p115).

Marshall devised a process of knowledge division and re-connections that gives us some of the most fundamental insights into the institutional basis for economic development. It reminds us that knowledge does not grow by accumulation, but by creating division and establishing connections and therefore requires both markets and bureaucratic institutions.

Richardson and Penrose—uncertainty and technological interdependence

At the heart of the emerging theory of capabilities and economic institutions described in this section is the notion that economic agents’ decisions are taken in conditions of imperfect knowledge. Knight (1971) was instrumental in rationalising the need for business enterprises (as institutions) by linking those with the inevitability of uncertainty, and the impossibility for individuals to prepare for all possible futures. His argument was the capabilities of the ‘firm’ associated with the management of uncertainty connected with the superior ‘brain’ of the firm (in contrast to large numbers of decentralised agents) to take into account the fundamental uncertainties of economic life. Implicit in his analysis was the recognition that much of that uncertainty is not exogenous to economic systems (like Bayesian risks associated with changes in weather causing poor harvest and affecting agricultural production) but connected with difficulties in anticipating what other surrounding economic agents will do (based in itself on their own conjectures). Economic agents (as factors of production or consumers) must make conjectures about other agents (other factors of production, consumers, firms and bureaucracies), including those involved in a given industry, as competitors or collaborators, and all those with a potential to impact on one’s ability to make a living. Clearly one cannot establish communication channels with such a diverse number of possible connections—and organisations (in the forms of firms or of bureaucracies) are needed because they allow specialised investments in information channels and ultimately in knowledge-making.

This view of uncertainty is critical if one has to understand how individuals choose to invest in their own capabilities, in any type of economic circumstances. Those choices inevitably involve making conjectures about other agents’ choices, and allocating information channels, since economic coordination is about investing in mechanisms managing economic inter-dependence, and from whole-system viewpoint, about ensuring sufficient convergence in conjectures. Uncertainty here is utterly different from the concept of risk used by economists to portray more superficial forms of hazard, which can be insured against. The link between uncertainty and incomplete knowledge is prevalent. The approach seems particularly relevant to the examination of economic development because it entails defensible methodological foundations (in the form of an appraisal of prominent philosophical positions taken by social scientists on the problem of knowledge) and proposes a theory of knowledge that reaches towards universal human conditions. The evolutionary and institutional approaches to economic development do not simply present economic knowledge as different exogenous or historical endowments held by different groups capable of owning them, exchanging-selling them or simply producing them strategically accumulating their own economic base. The approach provides a more erudite analysis of the essence of knowledge, in particular its intrinsically tacit and empirical nature that cannot simply be communicated or broadcasted by simple signals such as prices, the mechanism at the core of neoclassical economic theory (Polanyi 1958).

It follows that knowledge is empirical insofar as it is impossible to completely ascertain or verify its validity. Furthermore the conditions of its appropriation matter and its utilisation or meaning are limited to specific circumstances of time and place—reasserting that knowledge is difficult and costly to transfer. It is also tacit because much of it is stored in individual or routine group actions (held in the habits and practices of teams, firms, bureaucracies) rather than in some indiscriminate reservoir allowing it to be mapped (as in a technological production function) for cheap accumulation and relocation, which is the implicit approach of neoclassical economics to human capital where individuals choose for themselves an optimal mix of investment in prospective skills.
From an economic theory perspective, the implications are that the value of knowledge is user-specific, that it is intrinsically imperfectly transferable and that its theoretical conceptualisation as a standardised commodity is mistaken (Nelson & Winter, 1982). The tacit nature of knowledge is critical because it implies that much of the latter cannot be effortlessly transferred (because not teachable or articulated), it is imperfectly communicable and therefore incompletely expressible (Loasby, 1991, p64). These abstract dimensions constitute intricate critiques of mainstream views of development that treat it as a simple factor of production and emphasise investments in technological transfers, without giving due attention to the absorptive capacity of those receiving the knowledge who are assumed to make good use of the newly acquired know-how. The implications for emerging economies and Aboriginal newcomers in the mainstream economy are obvious, as they highlight the non-transferability of a large proportion of capabilities. One does not ‘teach’ how to operate in a new economic system or environment by simply transferring coded instructions (as done in much education and training); it instead requires exposure, trial and error attempts to function (with necessary failures) and many support mechanisms that need to be progressively adjusted with learning progress. The process of developing a new economy in particular requires that new knowledge growth possibilities compatible to the gradual growth of existing knowledge base be planned for, as well as mechanisms that will allow the developing local knowledge to eventually grow without externally imposed support.

The work of Penrose (1959) and Richardson (1960, 1972), although also focussed on business firms, has explicitly aimed at understanding how such institutions develop new capabilities that are compatible with pre-existing ones and how this shapes paths for economic growth. These authors have, separately, provided key insights on the trade-offs encountered when attempting to articulate knowledge in different institutional contexts. Chosen elements of their respective work are briefly discussed as they present complementary pictures of the opportunities and constraints shaping the evolution or knowledge structures, which can be extended from the analysis of the firm to that of small communities or economies, many of the core principles applying equally well. Richardson focuses on the essence of knowledge organisation (its qualitative nature) while Penrose describes the process of knowledge accumulation and the role of associated dynamic constraints.

Looking at business firms, Richardson (1960, 1972) portrays organisational boundaries as evolving with the need to combine disparate bodies of production and market knowledge. Any production system connects sets of complementary know-how which can be coordinated in a variety of ways, by command-authority, by exchange or by other signals. A person or a firm developing a product (good or service) or supplying a market segment deals with this interdependence by selecting the technological capabilities it wants to develop itself (the knowledge it possesses) and those it prefers to acquire through the market (by buying commodities embodying capabilities and knowledge or hiring services). When uncertainty about future technological and market developments arises, producers overcome their own planning difficulties by cooperating, developing partnerships of various forms and creating other stabilising institutions. Business entrepreneurs and bureaucracies attempt to decrease uncertainty and plan their investment activities through a number of strategies ranging from informal collaboration, joint ventures, implicit collusion, through to industry regulation and more overt information and knowledge sharing. According to Richardson (1960/1990), these relational processes are the primary means by which stability is created in market economies. Firms adjust their boundaries (that is decide what capabilities they should own and what products they should produce themselves in contrast to what they should procure) when changes in their environment in the form of new technological and market directions occur. In Richardson’s terminology, the market economy performs the co-ordination of competitive and complementary investments through the establishment of more or less formal linkages allowing collaborating and rival firms to partially communicate their intentions and stabilise conjectures.

Richardson (1972) developed a highly congruent model by portraying firms’ choice of activities (what type of activities, what type of consumers and what types of technologies) as being determined by the core ‘capabilities’ they hold. As for individuals, the choice of transactions to be managed inside or outside an organisation is anchored on past investments in technological and market know-how. Any two units of production activities (or skills or know-how) can be described by their degree of similarity and their degree of relatedness. In the context of businesses, a firm can enter the production of two activities similar without much adjustment or added capabilities—by definition of what is similar. Similarity refers to the fundamental nature of those skills, and usually defines domains of expertise where similar skills are bundled. For instance, the competences required to manage a business in hospitality can be extended to similar businesses in other areas of hospitality because the know-how to run the pub extends relatively well to that of running a campground (relatively to that of operating an oil rig). While this choice of example might make the notion seem trivial, it is
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lacking from static neoclassical depictions of technology, and is needed to illustrate how production (and consumption) knowledge is constructed and grows. Those in charge of coordinating and expanding the capabilities, like managers, must speculate (consciously or not) about the most appropriate direction for this growth, whether they are making further personal or group-based investments.

The applicability of this abstract principle to choices involving individuals located in small remote environments with few opportunities should be as compelling as it is for dense urban environments, and in fact the extent of the problem is somewhat magnified. What differs in resources-poor environments (including skills-poor) is linked with the framing of choice and the extent of uncertainty, which will be discussed in the next section. Richardson’s approach depicts economic agents not just holding to capabilities or technical know-how, but also in a position to evaluate (imperfectly) what choices for the future might hold. This partial picture of the division of knowledge is therefore based on a notion that participants in the economy are unequally competent at making decisions involving assessment or calculations of conceptual distance between types of know-how, the mapping of which is never fixed, is place-specific and is evolving according to scientific, social and cultural institutions.

But the degree of similarity between bundles of knowledge constitutes only one aspect driving the deployment of new capabilities. Adding another layer of complexity, Richardson shows that activities are also ‘related’ to each other through their bundling into commodities (from the producing firm viewpoint) or into service-needs (from a basic consumption experience viewpoint). With respect to commodities, the production of services and physical goods involves the packaging of dissimilar components into a configuration that buyers can utilise. Dissimilar activities related to car manufacturing (such as those involved in producing engines, brake systems, electrical fittings and car metal bodies) are related because of the nature of the commodity automotive transportation. This applies also to services such as tourism where the consumption technology also imposes the coordination of many such typical (but not similar) production activities which are connected by the final need, not of similarities in the know-how required in production (Tremblay 1997).

In some cases, tourists undertake the coordination themselves, but bundles in the form of packages can also be combined. It is the nature of the consumption technology that establishes connections between units of know-how, and defines a different logical principle for coordination. The same applies in the delivery of housing, health services, transportation, basic food and public services.

From a systemic evolutionary viewpoint (but without assuming any visible hand), the same abstract question arises: Who is best placed to provide the complementary skills and know-how required, and who should keep on investing in these skills if they are needed locally? In some cases, economic agents will spontaneously invest and re-allocate capabilities to do, in other, some planned effort (through a firm or support from a bureaucracy) will be required to achieve the required investments in new knowledge, in particular with respect to the need to organise relatedness. It is clear that building a house requires highly dissimilar capabilities that need to be coordinated. Should they be brought together inside one brain (a person, an entrepreneur or a firm)? Which ones can be developed internally? Which ones can be learned on the spot or simply acquired as a bundle? These questions, according to Richardson, constitute the main drivers of the boundaries of the firm, as well as the organisation of ‘industry’ in a broad sense. According to him, the mapping of both production and consumption technologies (in terms of their similarities and relatedness attributes) shapes institutions, including the extent of markets, firms and can be extended to bureaucratic institutions.

These insights are crucial for the context of emerging economies where some individuals have had little exposure to the capabilities found and needed in the mainstream economy. It opens up a door to investigate the question of whether and how persons or groups will decide to invest in capabilities and if they are going to play a meaningful role in the growth of knowledge in their local economy. To undertake personal investments in new capabilities, past capabilities must be to some extent valued, and the logic of relatedness and similarity must be functioning so as to support the ability to make conjectures about future needs. In other words, the formulation of individual conjectures itself requires pre-existing experiences (or exposure) to the process of linking needs and capabilities, so as to drive efforts to upgrade one’s own abilities and use them, as well as the realisation that there are opportunity costs involved of doing so (there are just so many things that one can learn in a given period of time). This might constitute a most useful formulation of the dilemma of those Aboriginal people considering participation in the mainstream economy who have had little familiarity with that sphere in the past. These questions can also fundamentally circumscribe the relative roles of education, training relative to other forms of know-how transfer and lead to a different understanding of how and when participation in the skills market is going to be effective in those environments (as exemplified by Trudgen 2001). It surely opens up
avenues for planners to start discussing which sectors and industries provide the greatest promise to grow new capabilities, given sector-specific pre-existing configurations of competencies in distinct locations. The concepts finally also suggest the need to define a path by which bureaucracies (who hold the largest share of competencies needed to manage and sustain remote regions and Aboriginal communities at the present) will willingly discard some capabilities for the benefits of locals, and make way to the growth of more dispersed know-how.

As the role of government was not centrally examined by Richardson (or Penrose as discussed below), the nature of capabilities and their growth within bureaucracies is less well understood. It is useful at this stage to simply suggest that know-how development in bureaucracies, while also informed by the logic of similarity and connectedness do not necessarily evolve through the same principles. This is in part due to different mechanisms to deal with uncertainty and because of the way choices are framed within them. When an individual operates or develops a career in a bureaucracy, different incentives and signposts support distinctive types of decisions guiding the development of capabilities in ways distinct from those needed to perform in the market. The distinctive nature of choices and decisions related to future personal investments within the bureaucracy leads to different forms of investment which affect the basis for economic freedom of various communities (as discussed in Chapter 4) and carry important implications for their future prosperity.

Richardson depicts how economic systems must include various modes of coordination complementary to each other, and that the ability to choose and revise institutions (in particular across market and bureaucratic types found in the mixed economy) constitute a significant source of development and adaptation to changing circumstances. A long time before such topics became fashionable, he payed attention a great deal of attention to numerous forms of collaborative linkages that do not fall in the extreme forms of pure market or bureaucracy, which he argued, play critical and overlooked roles in economic coordination. Richardson offers a view of economic agents pro-actively investing in more or less formal coordination mechanisms to share information mainly in the form of intentions and expectations so as to stabilise their environments. This contrasts considerably with views of firms and economic agents collaborating for the sake of protecting themselves against possible opportunistic behaviour of competitors and neighbouring firms. Richardson submits that the key to growing capabilities in unpredictable environments lies with the critical web of knowledge inter-dependence networks, which provide the incentives for further investments in knowledge and its division. Extending again these ideas to the context of investments by individuals participating in a local or regional economy, it can be suggested that ‘locals will invest in capabilities that are useful to a region or locality if’:

- they trust that other people are also making such investments. That trust depends on circumstances (referring partially to the size, presence of industry, diversity and viability of that economy) and on past involvements in the economy;
- there are mechanisms (planned or spontaneous) allowing to exchange ideas and mechanisms allowing to conceptualise compatible futures and establish institutions that would support them.

In the end, as shown by Loasby (1990, p119), Richardson’s mapping of economic capabilities fills in for what was a missing link in our understanding of how economies grow, and reflects Marshall’s concern with the dual principles of economic differentiation and increased needs for coordination. His methodological position shows economic agents facing genuine uncertainty and seeking to stabilise the shape of their environments through a variety of coordination channels. He suggests that business firms mainly group similar activities and that the dominant mode of coordination for related-complementary activities features investments in goodwill such as those found in long-term collaborative relationships. Richardson confirms that investments in economic capabilities are based on history (pre-existing know-how, skills or capabilities) and on institutions allowing individuals (and firms) to foresee potential future needs and wants, thereby creating entrepreneurial opportunities and warranting personal or business investments.

This is true even for forms of know-how which are utterly tacit in the sense that most of their fine print is carried out instinctively and that individuals are not capable of verbally, or consciously, elaborating the details of their knowledge. It was argued above that this implies that tacit skills are embodied in practice impossible to codify, sometimes also referred to as ‘routines’ (as in Nelson & Winter 1982:120) to emphasise the programmatic, sequential and automatic nature of many human skills. The difference between tacit and codified is articulated differently in Loasby (1999) who refers to the difference between ‘know-how’ and ‘know-what’, the latter being of limited use in everyday life when we economic agents attempt to economise on cognitive efforts.

Penrose’s work (1959) contains strong likeness with Richardson, but was even more obviously developed in the context of concerns with business firm growth. What she added to Richardson-type elements of path-
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dependency (the mix of similarity and relatedness) was a set of constraints that she referred to as ‘management’. She was mainly pointing out that assimilating new capabilities takes ‘time’, and that the ability to add further capabilities (and grow) is therefore limited by the time required to absorb such capabilities. Management, in the context of the firm, is a main resource to direct ‘learning’ and the acquisition (or shedding) of capabilities. As further capabilities are developed internally or acquired externally, the organisation of knowledge must be restructured, reflecting the two-way interdependency between division and organisation.

These points are also highly pertinent to the consideration of small-emerging economies. When planning for the choice of economic activities and institutions needed in remote places, it is necessary to take into account:
- the extent to which some investments in capabilities are less reversible than others, that is whether they can be used in alternative contexts or exported in different industries and spaces. It matters significantly that some types of economic capabilities (mainly human, but to some extent also infrastructure and capital) can be more easily redeployed in different use categories
- the extent to which some investments in capabilities are more likely to trickle down and lead to further successive waves of investments in new capabilities. It is important to consider that some capabilities will be more vulnerable to remaining locked-in (not expandable) or will diffuse excessively slowly because of absorption constraints existing in the local economy. In other words, some capabilities are more likely to support further ‘learning’ locally than others.

From the Penrose insight (and some notorious extensions in the business management literature—see Cohen & Levinthal, 1990), absorptive capacity refers to a future-orientated ability to recognise important growth areas and appreciate the value of ambiguous knowledge assets for future use or for the satisfaction of future needs and aspirations. These ideas are connected with representations of different investments in capabilities as alternative learning strategies, for instance by differentiating those based on experimentation and novelty from those following established technological paths, and the realisation that both are necessary at different points to support home-grown knowledge growth. In that sense, investments in capabilities can be considered significant not only for their immediate contribution to wellbeing (or satisfaction of needs), but also with the specific intent of improving future learning. Penrose herself starts her account of business growth with the identification of internal and external opportunities, mainly in the form of under-utilised resources, new marketing channels or even new products as such. She makes the point that these identified claims on new resources (required to grow) and the coordination of these new resources in turn calls on supplementary managerial inputs. This follows closely Marshall’s insights because the increased efforts to coordinate increasingly specialised assets calls for further administrative resources.

The main problem, in Penrose’s view, is that such ‘management know-how’ is itself a higher-order scarce resource, and its absorption and application also needs time. Since critical production and consumption knowledge are tacit (and can not simply be communicated by information channels), they can only be passed on slowly, and be tested or be valued with the passage of time. Economies (themselves systems with the ability to learn and develop), can not just be engineered speedily, they need to build gradual foundations, and to embody the principles of growth through division. Another extension of Penrose’s ideas and theory (originally applied to firms) is that each economy is intrinsically unique because of the capabilities it includes and the distinct connections and organisational knowledge assets it incorporates.

The competences and cognitive approaches to the growth of knowledge

Belatedly, a considerable number of contributions to the theory of the firm have explored and re-interpreted notions of competitive advantage and firm survival. One element uniting them that is particularly valuable for the purposes of this report is the notion that as institutions, firms and decentralised teams learn differently. This is true in the Richardson sense, whereby they learn in different directions by mapping different fragments of know-how and supporting them with distinctive institutional configurations, which reflect their own perceptions about wants and problems, and the knowledge needed to address these. Some of that literature for instance emphasises the notion that learning (as in Penrose) encompasses both the production of novel solutions to external problems (such as fostering and matching demand for novelty, convincing input suppliers about value of innovations or of one’s own skills and know-how) as well as the discovery of internal technological and marketing-based new opportunities, in a more conventional research and development manner (Conner, 1991).

Extending to the context of Aboriginal participation in the mainstream economy, this implies that defining aspirations and growth opportunities requires that investments be made in both market and organisational institutions, and that these are not really strategically separable. This is an important insight in the context of
common propositions regarding so-called ‘cultural limitations’ of Aboriginal people vis-à-vis involvement in the market. The arguments presented in section 4.3.1 suggested that the construction of aspirations (linking negotiated needs to possible means) requires participation in decentralised capabilities-building. The link between capabilities and the ability to formulate aspirations connects well to Appadurai’s view when Loasby argues that ‘the ability to make good decisions is not closely related to an understanding of the logical principles of choice, but depends more on skill in defining the problem, selecting the important factors and seeking out crucial information’ (Loasby, 1999:54).

The notion that environments, organisational knowledge, industrial structures and dispersed capabilities co-evolve is explicit in the contemporary cognitive approach to economic analysis (Loasby 1986, Harper & Earl 1996, Tamborini 1997, Nooteboom, 1993, 1997, Minkler, 1993). In some interpretations of that approach, attention is given to the (personal) constructs which constitute the basis for action, decision and interpretation (Kelly 1963). Kelly describes personal constructs as the ‘theories that people hold and the policies that they pursue’. In his psychological framework, people hold models of the world, constructs or core beliefs which help them predict events and which are necessary to allow them to ‘control’ their realities. As Kelly argues,

‘Man looks at his world through transparent patterns or templates which he creates and then attempts to fit over the realities of which the world is composed. The fit is not always very good ... Even a poor fit is more helpful to him than nothing at all.’ (Kelly, 1963, p.8–9).

Weick (1979) has also analysed organisational behaviour in terms of individual and social ‘sensemaking’ activities. More recently, strategic management has frequently been defined in terms of the creation and maintenance of systems of shared meanings that facilitate organised action (Smircich & Stubbart 1985 and Ginsberg, 1990, p520). As Loasby (1983:109) notes, the purpose of constructs is not simply to generate testable theories or build scenarios of what ‘might happen’, but to ‘accommodate experience’. Kelly (1955/1963) explains the human propensity to construct belief systems and to produce interpretations compatible with everyday experience by a desire to avoid situations which are too highly unpredictable as well as excessively predictable. To remain in charge of their own experiences and interpretations, economic agents use a number of more or less compatible ‘blinders’ in various contexts, not unlike a toolkit providing the means to tackle changing circumstances (Earl, 1984; Earl & Kay, 1985, p.45). The value of the toolkit resides in the number and relevance of the situations it can tackle. The tools themselves must be compatible, yet offer a variety of possibilities to deal with unpredicted circumstances. When too much evidence accumulates (in the form of accumulating clues and contradictions incompatible with their core constructs) that clashes with the value of those constructs, a number of options arise. Earl (1984, p.76) suggests that individuals (in need to develop capacities or invest in and managing a business) might:

- ignore the evidence and prefer to support the status quo (by selecting favourable data, delaying decisions, revising acceptable boundaries of application of the core theories...) and possibly make efforts to support old strategic commitments, the most likely, probably routine, strategy (Earl, 1984, p84-90);
- narrow down their activities to areas in which the performance seems acceptable (through rationalisation and refocussing—or moving in general) by assuming that the environment is the problem but that their strategy is overall valid;
- launch into new activities (through diversification), hoping that existing constructs and beliefs can still perform in new areas of application, (at the risk of new deceptions);
- or revise their belief system (change their constructs)—the latter might lead to a (rare) review of one’s beliefs amounting to a cognitive revolution, and in some cases it might generate a break-down and inability to operate.

These offer more valuable insights into to issues raised about remote-Aboriginal economies and in particular the ability of Aborigines considering participation in a new economic system. For instance, the approach indicates that an individual’s valuation of the worth of investing in capabilities (connected with market-related skills, employment or government-mitigated resource allocation activity) will depend on the fit of the prospective capabilities with those already held in the relevant surroundings. Although everyone builds belief systems that are not fully coherent (in the sense that moderate contradictions between beliefs or components are expected), there are personal cognitive limits to holding together extensively disparate world views. Excessive or repeated contradictions can eventually trigger the reactions or crisis suggested by Kelly and Earl above. This can be used to explain why the welfare dependence cycle of the gammon economy is not a trivial matter and repeatedly derails the ability of formerly thriving cultures to operate a smooth transition across systems, from an economic and social perspective. It also raises questions about the extent to which it is reasonable to expect most
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Aborigines to manage the contradictions of living across spheres (arguably requiring irreconcilable constructs), and to become proficient in most (as could be read from Altman’s suggestions). While there is no denying that talented individuals can and do undertake the task of managing lives in various spheres, it is generally beyond the ability of the majority to expect to maintain competent functioning expertise across most realms, and explains why such a transition is not only challenging to individuals, but requires a clearer level of group commitment.

It seems reasonable to hypothesise that the experience of the prospective benefits that arise from investments in capabilities is also specific to those distinct spheres. Using Altman’s framework, this implies that the logic driving the growth of capabilities will differ in the realms of the market, government and customary economies. In that context, Aborigines choosing to operate in the market sphere for the first time are expected to face significant disadvantages, in part because their lifetime experiences are linked with the customary or, more recently the welfare system and government support economy. The context of the government-dominated economy also plays against the likelihood of someone wanting to invest in market capabilities, personal investments in capabilities in such contexts are shaped by government decisions and processes as well as related contextual attributes, including the nature of bureaucratic careers, political cycles other forces affecting the predictability of policy and the scope of government activities, ultimately supporting the nature of capabilities likely to be needed in distinct types of economies.

Despite these difficulties linked with personal choice and investments in capabilities in centralised or government-dominated economies, there remains a critical role for bureaucratic organisations compatible with the personal constructs approach to knowledge construction. If learning is about ‘imposing patterns on phenomena’ (Loasby, 1991, p.viii), the cumbersome task of continually contrasting alternative ideas and models of reality is considerably reduced in the ‘normalisation’ process inherent in bureaucracies (and in firms). This is critically important for individuals and communities making fundamental and often decisions as to which economic system to participate in, and whose knowledge system to adopt, in particular when so many competing viewpoints abound and contradict each other.

Loasby’s synthesis—the fundamental connecting principles behind the growth of knowledge

Loasby’s persistent examination of economic institutions (their overlap and interdependence in particular) through the analytical lenses of the growth of knowledge has led him to propose a critical trade-off at the heart of economic evolution, which makes use of Kelly’s insightful personal construct theory in a way that is compatible with Marshall’s evolutionary principles. He has suggested (1976, 1990, 1991) that most economic systems are in a state of flux between the need to ensure coherence and flexibility. They are shaped by dual drives, involving decentralising forces (ensuring that knowledge grows through its division) as well as connecting forces (to build appropriate institutions assisting in sustaining consistent ‘interpretations’). Loasby’s early work applied his thinking to organisations when he claimed that ‘organisations tend to frustrate the very purposes for which they are designed; the creation of a formal communications system inhibits certain kinds of communication’ (Loasby, 1976, p67). The condition for organisational survival in Loasby’s work was the ability to maintain reasonable levels of coherence and flexibility. Organisations incapable of performing at that level die, and ‘the cause of death is often a failure to combine adaptation and coherence’ (Loasby, 1986, p56). Striking examples of failures to recognise the importance of those principles have been exemplified in cases of corporate diversification gone wrong. As Earl and Kay (1985, p.45) note, the merger of firms characterised by different business cultures is akin to mixing a large numbers of incompatible constructs, which can lead to pathological business conditions akin to schizophrenia, in which the organisation lacks direction, loses its identity and becomes erratic, incapable of committing to a set of constructs (and strategy) nor willing to consider costly strategic reversals.

Once again, there is a striking applicability of those concepts applied to business firms to the conditions of the welfare dependence economy insofar as the forced creation of a value system based on incompatible constructs and beliefs has led to the dramatic decline of basic survival economic and cultural systems. While it might seem premature to push that analogy too far, other elements of Loasby’s discussion of the supplementary principle of ‘decomposability’ should prove useful. In particular, his demonstration that organisations have developed innate ways of dealing with clashing values, beliefs, capabilities or knowledge systems, by investing in or constructing some structural flexibility. The general idea, refers to ‘reserves’ in resources, information-handling capacity, adaptable organisational routines and, more importantly for large corporations, the engineered separation between imperfectly compatible constructs and belief systems. Loasby (1976, p.67) attributes to
Simon (1969) the use of the term ‘decomposable’ to express the notion of systemic flexibility. Decomposable systems arise out of planned and spontaneous efforts to maintain diversity of connections and some redundancy in case of process breakdown. Redundancy and ambiguity play an important role in making systems permeable to new constructs and allowing them to generate novel configurations—or new ideas (Loasby, 1986, p.54). It is therefore possible to consider that economic systems subjected to analogous forces embed decomposability, and value inner construct diversity, so as to facilitate the generation of novelty.

In a way, the well-intended welfare support system which was historically made accessible to Aborigines aimed at providing some level of redundancy (in the form of planned idle resources), with the belief that values and participation in the economy by Aborigines and the rest of Australian society would eventually converge, but overlooked the perverse incentives that would be created by the mix of customary, market and government spheres on the incentives to invest in capabilities and build constructs supporting those. What Pearson’s reading of history has shown is that for some, that ‘welfare system’ or gammon economy became itself the dominant construct rather than a transitional stage, taking over the lives and values of many, and undermining their ability to expand alternative sets of capabilities. It is interesting that Sercombe (2005, 2008) has been able to observe that, in some environments, notably in urban ones, some decomposability of cultural values and beliefs has operated to safeguard some key aspects of Aboriginal culture (based on sharing principles operating within the household unit at the domestic level), which has allowed them the required flexibility to move across economic spheres and retain distinct elements of their Aboriginal cultural heritage.

Implications of the capabilities approach for development in remote Aboriginal economies

The previous section undertook a condensed survey of aspects of economic development associated with the growth of knowledge’ approach explicitly connected with Loasby’s work, which was claimed to be particularly relevant to the issues raised earlier in the report. While much of the discussion was conceptual and made use of abstract constructs, examples were offered to demonstrate the applicability of the general principles to individual decision-making, in ways that address the issue of investments in economic capabilities and apply to the key questions of relevance to assess the potential for Aboriginal participation in the mainstream economy.

At the centre of that approach lies the concept of ‘economic capabilities’ which was distinguished from Sens’ human capabilities perspective itself discussed in the preceding section. Sen’s basic or vital capabilities refer to the set of basic skills and living conditions considered to constitute minimum requirements for a person to participate effectively in a given economic system and are really framed by a societal perspective on what constitutes an adequate level playing field for participation in its economy and society at a point in time. The negative formulation usually reiterates the same argument in a more familiar manner: To perform in the mainstream Australian economy, and not suffer disadvantages, one expects to have access to minimum levels of services or forms of human capital which have traditionally been coined ‘merit goods’. Education, health, housing and related infrastructure, public safety and other publicly funded services have come to constitute the fundamental ingredients for economic participation and been supported by Sen’s ideas and empirical work on the elementary components of economic growth.

The post-Marshallian concept of ‘economic capabilities’ as bundles of productive knowledge examined in the section that followed was in contrast required to address elemental principles of economic development linked with the knowledge growth approach. The general approach explores the ways dispersed individuals holding differentiated know-how (and beliefs) come together, make conjectures about each others’ intentions and eventually undertake specialised investments The resulting mechanisms of exchange (the market) and centralised coordination (bureaucratic institutions) guide the evolution of their knowledge assets and reflect the overall abstract processes of division and coordination.

The present section applies the above ideas to the domain of Aboriginal choice in the context of developing remote, and emergent economies characterised by deficient economic bases. The topics that require further examination include:

- the distinction between human capital and capabilities;
- the implications of that perspective for the role of government;
- the implications of that perspective for remote economies.
Capabilities, human capital and aspirations: Recipes for economic progress

It is useful to return to the discussion on the nature of economic knowledge (or know-how) and the role of the division of labour as the primary instrument of economic growth. This allows asking the question: Can such growth-by-division occur outside the institutions of the mainstream economy, say within a customary economy? The intuitive answer is ‘probably not’, which can be derived from Sahlins’ own analysis whereby he claimed that hunter-gatherer societies focussed on reciprocity and on regulating their needs, indicating that this allowed them to match ends and means, mainly by keeping aspirations at satisfactory levels, therefore not by expanding them. Cultural beliefs and economic knowledge probably grew synchronically by adaptation to circumstances, and most likely matched the level of those aspirations.

Similarly, Sercombe (2005, 2008) distinguishes what he calls the ‘Indigenous economy’ from capitalism by calling on a distinction between ‘subsistence’ as principle (akin to satisficing as described by Simon, 1957) and the ‘accumulation principle’ of capitalism driven by the need for a surplus. It must be noted that Loasby would disagree with that use of the term accumulation, even if Sercombe does not apply it to knowledge. The reason for concerns over that terminology rests with Loasby’s fundamental argument that growth takes place by division, not accumulation. New know-how is created, and when it proves useful (that is when conjectures made about the need for this knowledge are proven right), the economic surplus is re-invested into new know-how. This is how useful knowledge is re-divided. He notes (Loasby 2003) that classical economists (Smith, Marshall and Hayek) all built their views of economic systems on the fundamental economic principle of ‘scarcity’; but what is scarce in their systems is not wealth for its own sake, it’s human cognitive capacity and the energy (or aspirations) necessary to drive it. Criticising neoclassical economics he argues, referring to knowledge and cognitive capabilities, that ‘these are precisely the only resources that are assumed to be freely available in most formal models in present-day economics, which thus ignore the most fundamental of all allocation problems that human beings face.’

These insights are significant for Aboriginal potential transition and participation in the mainstream economy as they reflect the need for individual participants to adopt and mould the logic of the system (the extent of knowledge dispersion), as well as its aspirations, if the system is to evolve and sustain itself. Loasby is definitely not making a reference to the objective of accumulating (as used by Sercombe, and by many orthodox economists), but to the Smithian impetus to develop one’s know-how or skill in a way that benefits a community or society, because its evolution and valuation both depend on its complementarity with other fragments of knowledge distributed around oneself.

Loasby (2003) exemplifies the misplaced logic of accumulation (often applied to capitalism) by referring specifically to widespread representations of ‘human capital’ as an augmentation of capital, with ‘the particular ways in which it affects the productive process and the outputs delivered by this process being left out of focus’. For economic capabilities to be properly understood, a division of knowledge framework is necessary, in which useful capital stocks (in the sense of a loose network of knowledge) can increase or decrease as one learns or unlearns. In contrast, the traditional view of human capital is framed in the crude economic rationality of investments made in conditions of perfect information, and, paradoxically, presuming a perfect formulation of the problem or choice.

Returning to the questions raised above, it is possible to enquire what is the essence of the customary economy? As the latter cannot be clearly identified or bounded, it is legitimate to examine work done on the subsistence economy. From the observation of economic anthropologists, hunter-gatherer societies were indeed characterised by superficial levels of division of knowledge usually based on gender and kinship systems. The distribution of capabilities resulting from these conditions was maintained into relatively stable configurations, while incremental adjustments took place to adapt to volatile environments. Mobility and small group size most likely played an important role in preventing further division of knowledge, which arises when greater number of economic interactions appear (as suggested by Adam Smith) or when tensions occur between the need to generate local innovations and to coordinate broad conjectures (as reinterpreted by Loasby). Sahlins’ picture of stability (with respect to needs and technology) as a form of adaptation belonging to the Stone Age era can then be contrasted with Appadurai’s call to build the ‘capacity to aspire’, the latter presupposing an intent to not only adapt, but modify the environment (again in terms of connecting needs and technology). Again, Loasby’s discussion of the notion of ‘purpose’ which he borrowed from Penrose complements Appadurai’s view fittingly:

‘Purpose is to be understood as the intent to achieve some change from the present state in accordance with some objectives; it is related to process, not equilibrium, and this process entails gaining knowledge and developing
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Capabilities. That is why ‘will directed towards wealth must favour the development of intelligence’. An important implication is the heterogeneity of economic agents.’ (Loasby 2003:4)

In other words, if participation in the mainstream economy by Aboriginal people is to be successful, it must entail some diversity (across individuals, groups and communities) as well as sufficient expansion to create opportunities for complementary know-how and exchanges. The philosophical underpinning of the views expressed above is profound. If Aboriginal people are going to develop distinct cultural and economic systems within the realm of mainstream society and culture, they need to engage with the division of knowledge to some extent, and manage inter-dependence with mainstream values and beliefs. And there is no doubt that this will shake the foundations of traditional and contemporary welfare cultures.

The analysis also conveys messages about the nature of current investments undertaken for the sake of increasing Aboriginal economic participation by ways of formal education and training. It is possible to deduce that an excessive emphasis in policy circles might be given to such investments under the false premises that the passing on generic academic or ‘know-that’ knowledge is equivalent to developing capabilities or know-how. This is problematic if education takes place at the expense of learning-by-doing, through participation in the economy and the organic development of capabilities supporting sustainable local industries. The tacit nature of capabilities implies that much of the critical know-how that make up an economic base is selected through a process of self-experimentation (which in itself requires some level of cognitive autonomy) as well as cognitive interchange. In other words knowledge is tested by communicating with others (through business and social networks) and learning from them, another Loasby theme. It appears important for Aboriginal economies to gradually open up the channels allowing positive cultural and economic exchanges, in exactly the same sense that was suggested by Appadurai (2004). Future evaluations of the potential for diverse industries to contribute towards Aboriginal and remote development must provide paths to assess their contribution towards greater aspirations and capabilities.

It is fitting to conclude this discussion of the connection between the development of capabilities and the formulation of aspirations by quoting Loasby once more. In attempting to demonstrate that learning involves a relationship between a ‘brain’ (person or organisation) and the outside world, he stated that:

‘capabilities involve a double conjecture, about the kinds of future that it is reasonable to prepare for and about the appropriateness of particular capabilities to those kinds of future’ (Loasby 1998:176).

This reflects a fundamental choice (not exclusive but deliberate) about the relationship between inward-looking and outward-looking aspirations and capabilities, that require an appropriate mix of institutions and an openness to alternative viewpoints.

The role of government in coordinating knowledge growth

While evolutionary economists such as Loasby have contributed some of the leading insights into contemporary analysis of the respective roles of markets and organisations (as economic institutions), they have (as most other Schools of thought in economics have) given insufficient attention to the role of governments, despite recognising that the latter play such a central role in contemporary economic life, irrespective of the nature of the mixed economy considered. Despite being under-explored, the evolutionary approach to knowledge offers an alternative perspective on what the government can or should do, and its likely limitations. But it must be made clear that such work is based on abstract hypothesising of how bureaucracies and political processes operate, rather than empirical work. Loasby (1989:187) recognises that ‘a theory of government intervention is as necessary as a theory of economic development and disequilibrium’. He also claims that such a theory, if it were based on a neoclassical representation of planning, as an alternative resource allocation mechanism (‘equivalent of the auctioneer, but calling quantities instead of prices’) would be completely futile. Nor is it plausible ‘to postulate the maximisation of social welfare as a governmental objective’ and to disregard the cognitive dimensions of real-world political and administrative processes, including the more conventional concerns and government failures such as the personal and professional interests of minister, civil servants, advisers and lobbyists, etc.

The first significant evolutionary consideration lies with the necessary tension between ‘markets’ (as economic institutions, not as abstract processes) and the parallel as well as complementary existence of various forms of organisation. Firms or corporations constitute embodiments of organised knowledge (Loasby 1999) which were seen to benefit from its shaping by ‘organisation’ in a process of construction and de-construction.
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itself fuelled by the market-firm nexus and its evolution. The government sector (including the processes
involved in the political arena combined with bureaucratic institutions) in contrast involves supra-instances of
‘organisation’ (at many political levels), in theory attempting to address meta-coordination problems or greater
aspirations (shared by a community of interests) linked with the development of knowledge and limitations
encountered by the market when coordinating composite learning channels and applications.

Loasby (1998: 164–5) reminds us that ‘know-how can exist outside the market economy— but can be valued
only in that context and put to use in a variety of combinations’ when market forces operate. His view (Loasby
2003) is not based on a narrow market selection argument, but on the more far-reaching contention that the
variety of experiences and combinations of knowledge allowed by the market is the basis for that knowledge to
be tested. Loasby views as a fundamental principle of economic growth the need for newly generated ideas to be
applied, tried and reconsidered in local contexts.

Evolutionary economists try to avoid the traditional terminology of market failures, in part for its tendency to
ignore equivalent government failures and its focus on simplistic ‘one-or-the-other’ logic. Hence, Loasby (1976:
190) argues that:

‘the pattern of resource allocation by the state is not determined by the characteristics of any ideal allocation.
Those who demonstrate that the market provides inadequate incentives to the supply of collective goods do not
always consider what might be the incentives to organise a collective supply; government provision is no simple
logical consequence of the failure of private provision’.

Those considerations often point at vague, but very real, difficulties linked with political and bureaucratic
self-interest, myopia, path-dependency, crowding out of business opportunities, etc., which can be juxtaposed to
the limitations of the market, which reiterates that all that economists have traditionally been able to say is that
market versus government is a choice between highly imperfect systems often couched as a trade-off between
risks of over-emphasis on private affluence and excessive public profligacy (Loasby 1976:191).

Post-Marshallian economists prefer to see markets and government institutions operating a division of
knowledge of sort, at least in terms of how they deal with knowledge progression. The market is essential in that
perspective for its encouragement towards diversity as in a ‘world where we are inevitably ignorant about some
of the past and present, let alone the future, the co-ordination of activities is less important that the perception
of new problems and opportunities, and adaptation to them’ (Loasby 1976:192). In that context, competition and
variety constitute responses to ignorance. In that sense too, the ability for Aboriginal Australians to develop their
own interpretative frameworks (or worldviews) and their own aspirations should not be limited to interacting
with government bureaucracies, as the latter tend to homogenise perspectives and reduce variety. The market
process becomes a necessary part of self-determination.

The fundamental analytical difficulty with the conventional analysis of government resource allocation is
that, it is based on superlative premises (perfect rationality, perfect information, known or bounded problems)
implying that markets can always be argued to deliver superior outcomes (Pelikan 2003). In fact, Loasby (1991)
demonstrates unequivocally that under such inadequate premises (those of perfect information and rationality),
both markets and government institutions lead to identical allocation performances, making them unnecessary as
institutions. But when considering the nature of knowledge growth, and the mechanisms supporting its division
and coordination, more inspired views of the role of government institutions emerge, related to its ability to
shape the development of economic capabilities. Two issues, alluded to in the previous section, seem particularly
relevant:

• Society entails an unequal distribution of the knowledge required to even use the market effectively,
that is to know what one knows that is valuable to others, and to know what others know, that is useful
to get what one needs.
• The knowledge produced, distributed and used under market principles might lead to excessive
variation, and create critical cognitive conflicts that need addressing; that is it is likely to require some
simplification and re-direction in the form of a new framework.

Governments can usually play distinctive roles in those contexts. The first issue is directly relevant to
perspectives on Aboriginal transition to the market economy. Accepting that finding out about other peoples’
capabilities (dispersed in the economy—or lacking) and making conjectures about their future worth is time and
resources consuming for anyone. The investment in learning-by-doing involved during a transition into a new
social or economic context can be assumed to be overwhelming to operate in such a context, and this is the
rationale for support services aimed at facilitating market skills development (including Sen’s human capital
aspects, job market and business skills as well as competencies in dealing with bureaucracies). The more ‘environments’ or economic spheres one needs to deal with, the more taxing such requirements. This applies to those left behind in a rapidly changing world, as well as those highly mobile (in spatial or cognitive terms) attempting to make a living in an excessively diverse landscape.

Theoretical analysis pertaining to the role of government in assisting new technological development or highly competitive research and development environments holds some valuable implications for remote and volatile economies. Loasby (1999) tells us that when change in one’s environment is excessively rapid, or introduced by unexpected sources or connections (such as political forces), and when it is exogenous (originates from outside the immediate economy), new cognitive frames are needed that impose a general agreement on the kinds of things which are to be done, and on who is competent to do them. Reaching such agreements with appropriate people, and managing the resultant relationship, require indirect capabilities which are not identical to those by which consumers manage market relationships’ (Loasby 1999:57). Such indirect capabilities can rarely be gathered, agreed on and produced locally by calling on experience in the community, in most cases they can be actively collected and assembled and implemented by a bureaucracy.

Governments are most often justified, in a knowledge growth perspective, as coherence-enhancing devices, shaping the relative rationality of economic agents at some point in time and ensuring greater consistency (Gregersen 1992, Loasby 1999, Pelikan 2003). This role is valuable for both production and consumption, and is most visible when grand social questions are put on the social agenda (climate change, macro-economic busts, social or economic reform, etc.). The stability and consistency of interpretations provided is particularly valuable to support personal investments in capabilities when the environment is rapidly changing and individuals struggle to make converging conjectures about the value of further investments in know-how. In those circumstances, governments are needed to provide interpretative frameworks capable of accommodating experience (making sense of the world) in rapidly changing circumstances (Loasby 1983). This is not done only by ‘authority’, and a considerable amount of decomposability is expected even within the bureaucracy, as distinct analytical frames are expected to co-exist with negotiable boundaries so as to manage distinct problems.

While calls for ‘whole-of-government’ approaches abound to deal with impending problems, they arise out of the identification of potential contradictions in the effects of separate actions (from distinct areas of the bureaucracy) and the calls reflect the desire to address or re-assess their boundaries. Rarely do they constitute a genuine desire to centralise the capabilities and know-how in one brain and address all issues from a unique perspective. These considerations are relevant for debates involving the political economy of Aboriginal affairs.

It is clear that parts of the government bureaucracy deals with the agenda (for historical reasons) of evaluating the general welfare of all ‘First Australians’, irrespective of lifestyles they have embraced. Another part deals with the support specifically needed to assist Aborigines living in the more remote environments, who have to contend with challenges linked with the absence of economic base and hybrid economic contexts. Decomposability can be costly and politically undesirable, yet it is needed to deal with the distinct learning needs of groups holding dissimilar aspirations, or at the least, taking separate paths to develop their own goals. Indigenous tourism as a field of activity constitutes also a case in point. It sits at the interface between:

- the tourism system, with its promotion and destination-centred logic and its marketing-based bureaucracy, and;
- the Aboriginal economic development sector, with its services delivery, employment and skills delivery perspective.

The nowadays-prevailing view that health and education constitute unavoidable elements of the approach needed have meant that unilateral interventions (in the case of the Commonwealth government) or reshuffles (in the case of the NT in particular) are occurring to address those boundary issues.

If bygone bureaucratic activities always seem unsatisfactory or potentially misguided, it must be remembered that from an evolutionary perspective, they are necessarily meant to be short-lived and help addressing temporary difficulties linked with the coordination of learning abilities. Groenewegen and van der Steen (2007) provide a fitting analysis of government that is well suited to that perspective. In their technology policy-oriented perspective, the role of government changes or evolves according to the nature of the uncertainty characterising the economy and its environment at different times. That standpoint is useful overall to consider not only technological change, but also developmental change in broader contexts, and emphasise diverse learning needs according to circumstances. They set the premises behind the role of government in the following way:

‘government, like the other agents, is part of an ongoing process, where no end states can be formulated and
rationality is contingent and procedural’ and where ‘economic processes are interrelated with technological, cultural and institutional processes’ (Groenewegen & van der Steen 2007:352).

They confirm their evolutionary stance relevant to mixed economies incorporating essential markets institutions as ‘in such an evolutionary world, government cannot and should not ‘simply’ correct the failures of the market, but should play a role that facilitates, guides and sometimes directs the process into socially desirable directions’ (Groenewegen & van der Steen 2007:352). In their idealised approach, the process of setting directions is sufficiently decentralised, as they assert that ‘the effectiveness of policy is local; it depends on the situation at hand: in one case, government should only offer options; and in other cases, it should direct technological development’. Taking explicitly into account possible government failures, they assume that the government (and its bureaucracy) is ‘aware of its limitations (and those of the other actors) and of the dangers that processes can be captured by powerful interest groups and can become locked into undesirable paths of development’ (Groenewegen & van der Steen 2007:352). But they squarely recast the role of government in terms of ‘learning support’ with the following claim:

‘Such a government is also aware of the possibilities of the necessity to explore and to learn, and of the necessity to create opportunities. Based on their picture of the evolutionary world, institutionalists conclude that the state should ‘foster learning, enhance human capabilities, systematically incorporate growing knowledge and adapt to changing circumstances’ […] ‘allow for experimentation’ […] ‘and create variety’. Can we become more specific? How can government learn and facilitate learning of the other actors in the system?’ (Groenewegen & van der Steen 2007)

The latter question has insufficiently been researched. So what are the conditions under which learning is fostered or hindered? In the context of technological uncertainty examined by Groenewegen and van der Steen (2007), a typology of government learning approaches are eventually described and provide some useful insights:

- **The first type, referred to as normal policy learning** is a case of decentralised support in a context of harmonious existing relationships between institutions. It is ‘based on clear and stable shared mental maps of the actors involved. The learning process is one of incremental change toward perfection ending in a range of instrumental options. It is the situation of stable preferences of actors, including government, of clear signals that actors can code and decode with certainty. Imitation, experimentation, and trial and error are all possible within the existing policy trajectory, but without disturbing its basic features; in other words, as novelty is absorbed and moulded so it fits well in the system and can contribute to further perfection.’ (Groenewegen & van der Steen 2007:355-6). The main condition for this type of learning is stability in the sense of absence of major external shocks and stable preferences. This type of steady-state requires long-term relationships based on trust and reputation between economic actors, as well as continuous interactions that facilitate stable policy learning. Government as well as other actors hold relatively clear and widely shared mental maps that allow for this type of ‘normal learning’.

- **Re-description and ‘direct’ learning** refers to cases when government can jump to another type of policy learning; and the policy makers can ‘re-describe’ the institutional foundation toward a new, anticipated logic by developing new cognitive models and new habits. Like entrepreneurship often follows crisis, there is, in general, an identifiable trigger to such emerging collective action. To undertake that shift into a new direction, economic and political pressures must converge and access to resources must. The process usually requires maintaining a careful balance between exploitation (making more efficient use of existing structures) and exploration (initiating and implementing new structures), as well as paying attention to the transition process (towards new constructs or interpretation frameworks) by managing and limiting the cognitive burden on key or vulnerable actors.

- **Innovative policy learning** refers to the situation where policy-makers act like creative entrepreneurs. Government stimulates experiments outside existing paths, so that variety or radical change can become the objective of intervention. The government must carefully consider how to engineer neutral selection mechanisms to avoid lock-ins and dominance of specific interest groups, generally by retaining or designing a clear role of chosen market-like institutions. In such a process, the government actively learns about learning (meta-learning). This idealised view demands a type of government that is entrepreneurial, knows how to make use of market institutions, and is innovative in the true sense of the word.
The discussion above is merely illustrative (and applicable to research and development policy) as it highlights a conceptualisation of the role of government which can be depicted as entrepreneurial, but is usually so for short bursts, to complement decentralising forces.

The situation of less developed regional economies where the government is pervasive, dominates the implementation of institutions, plays the main role in delivering capabilities and constitutes the main engine to create markets is one less often considered by evolutionary economists. As made clear above, evolutionary economists would warn about the risks involved in an economy entirely dominated by government or the public sector by referring to the likely distortions in incentives related to learning that are inherent in such contexts. In particular, they would be concerned with the possibility that economic agents invest in inappropriate types of capabilities and remain public-sector dependent. Important initial considerations pertaining the development of capabilities in the context of government-dominated economies must be highlighted.

A well acknowledged type of concern is the risk of excessive efforts (or distorted behaviour) taking the form of rent-seeking (that is activities which occur when individuals or organisations seek to earn income by capturing economic rent through manipulation their economic environment rather than by earning profits associated with the production of added wealth). Loasby’s (1989:188) notes that,

‘government activity changes both the environment in which entrepreneurs work and the data on which they base their calculations. It is intended to, of course; but the results may include a diversion of entrepreneurial energies into securing government support, promise substantial profit but dubious utility’.

In other words, sought after directions from government shaping learning intentions come with undesired consequences. This includes the likelihood that private agents will more or less deliberately distort policies and incentive systems to their advantage. This can range from the unintended disincentives associated with welfare transfers that blocks some individuals away from desirable investments in new capabilities (and cause the economic and cultural deterioration felt by a whole group connected with them) to the wide range of forms of manipulation to gain short-term advantages, not from socially valuable efforts that result in increased local knowledge, but from cultivating political linkages resulting in lucrative redistribution. While the management of Aboriginal organisations have been repeatedly considered and seen as a governance knowledge problem by their detractors, they have not been analysed in terms of inappropriate and possibly conflicting learning strategies resulting in poor configurations of incentives to invest in novel capabilities.

Another concern in an economy where government is omnipresent and key decisions are shaped by political and bureaucratic processes is that policy decisions will appear incoherent, often unpredictable and seemingly arbitrary to economic private agents. In the case of individuals in the process of learning about participation in the mainstream economy, this could seriously impede their desire and ability to invest in capabilities that would be valuable in market contexts, and favour choices involving bureaucratic reliance. In general, this could lead to mistrust in market-government systems, with enduring negative impacts on the ability to support emerging market economies. Given anybody’s absorptive capacity when being initiated to a new environment or the workings of an unfamiliar economic system, it is possible to allege that excessive government and bureaucratic presence and dominance would lead to lasting effects on those who need to learn-by-doing, and to undertake their own private investments based on their local knowledge (rather than bureaucratic directions) and need to experience the process of making inter-dependent conjectures about a community and economy’s future. In any circumstance, it is notably intricate to resolve the ‘problem of forecasting government action—especially when government policy is seen to be inconsistent or subject to policy reversal, with or without a change of administration [ …and] is likely to foster an increasing realisation of the fragility of all forecasts, and of the risks entailed in undertaking any substantial forward commitment. That attempts at governmental stimulus might discourage private investment, not through direct crowding-out but through its effects on business confidence, was a common fear in the 1930s.’ (Loasby 1989:188)

As described above, the last two elements are of direct relevance to the considerations of the role that governments might play in facilitating the transition towards market participation by Aboriginal individuals and communities. As had been suggested by Richardson (1998b:49) himself in the context of the need to radically change an economy’s direction, such a complex and comprehensive endeavour requires that ‘a complex set of closely complementary activities has to be put in place simultaneously’ and the fact that this requires ‘conscious co-ordination’ directs the attention towards the government, as involved in direct learning, and perhaps even innovation learning.
But what the logic of the learning approach and knowledge growth arguments also suggests is that government action must explicitly endorse its transient status, and be strongly committed to providing capabilities for sovereign and decentralised decisions and supporting innovative institutional design.

**Remote economic development and knowledge growth**

The last area of application of the capabilities approach is related to that above, but it refers specifically to the prospects of attempting to lift up or even kick-start local or where an economic base is critically lacking. However absurd it might seem to those disregarding the history and nature of human geographical occupation to attempt to grow economies in places that seem structurally inadequate, the topic reaches within the cultural and political reality of remote economic development and surely can benefit from a knowledge growth perspective. As should have been obvious from the description of Richardson capabilities growth model, the approach usually assumes the pre-existence of some distinctive configuration of capabilities, even if the latter can be said to be limited and highly fragmented or even possibly deteriorating in terms of its ability to sustain life because of exogenous changes in the competitive environment.

Remote economies are typically over-dependent to some extent on a number of external linkages that support them as economic and social entities, but which can be severed abruptly. But contrarily to regions found in a typical hinterland economy (involving a centre and a periphery) where two-way connections are well established and constitute a clear inter-dependency of resources flows, the remote economy is characterised by the absence of dominant economic linkages and volatile alliances (Schmallegger, Carson & Tremblay 2010). Stafford-Smith, Moran and Seemann (2008) identify the ‘transience’ of resources flows and connections (social capital and networks in their terminology), and the plurality of precarious connections as the defining attribute of remote communities, in terms of resources, resident populations and industries. They include the fact that government activity (including policy, directed interventions, ongoing services delivery, etc.) is also patchy and often seem incoherent as a property of that type of economic system in their analysis.

As researchers call for a more articulate and consistent approach to the governance of the vast regions inside the Australian continent, the question remains as to how the government and public sector can best support such an economy when the latter is, at the outset, largely funded by the coastal mainstream. The derivative question of interest for the main arguments in this report is: Where to find the appropriate mix of market and other institutions necessary for the development of home-grown capabilities? That question must be considered prior at least simultaneously to that of reconciling the often conflicting political and policy directions supported by Commonwealth, state and territory jurisdictions. The fact remains that outback Australia can be described as a nationally funded ‘economic development project’, and that there is little coherence (and probably little agreement Australia-wide) on the appropriate roles of markets, private sector, public sector and government institutions in that nation-wide joint venture. Contrarily to bygone ‘infant industry’ arguments of past centuries about the market failures and catch-up rationale for supporting industries or regions, development in the remote Australian economy is rarely motivated by the need to attend to an established or ill-exploited natural/industrial resource base. The chief motivation to support remote economies are linked with aims connected with land occupation, and the need to address the fragmentation, stagnant nature and sometimes erosion of human capabilities found in many of those areas.

While pockets of growth exist, the remote regions in general are characterised by poor coordination, dependence on imported how and a general inability to retain those capabilities of great strategic value and make them support viable local economies. From a knowledge growth perspective, the issue of the most appropriate ways to cultivate and nurture homegrown economic (and other) capabilities constitutes the chief challenge of the remote economy.

In attempting to generalise on some of the attributes of remote communities, their distinctiveness across landscapes and human environments is also endorsed (Stafford-Smith, Moran & Seemann 2008). Despite being distinct at many levels, they must be recognised as suffering from a number of typical circumstances that can be explicitly articulated by using the terminology of capabilities. The following considerations seem sufficiently universal and can be argued to characterise the majority of remote Australian regions:

- as economies, they are highly dependent on capabilities provided by government and public sector, some invested locally through bureaucratic support (imported but resident) and a large number not resident in that sense (in the form of fly-in fly-out interventions)
- there are inherent difficulties in amalgamating local (place-specific) knowledge with generic and
imported know-how. Large proportions of strategic capabilities leak into the micro economy (mainly facilitated by bureaucratic channels) without really being passed on to locals, or being adapted for local circumstances. The lack of local experimentation in generating resident know-how results in maintaining the high level of uncertainty as to the value of additional investments in capabilities. Even when relatively dependable channels exist to import required skills (possibly due to effective bureaucratic commitments), the integration and application of technical skills (from outside) with local know-how rarely results in economic rents that are re-invested locally, as the process of division of labour would ideally expect. This occurs because much of the key learning takes place around those individuals that are also most likely to be mobile and take the valuable know-how with them. They are likely to remain in given communities or remote regions because of the limited prospects of the local economy. The latter might refer to basic economic shortcomings such as resource base limitations and deficiencies in complementary capabilities (which enhance one’s personal investment in a given location) but also can be associated with other aspects of the social and demographic environment, in the form of poor social and basic human capabilities, political volatility, substandard infrastructure, etc. While individuals will develop place-specific skills potentially valuable locally, the shortage of market opportunities to further extend those capabilities will constitute a fundamental source of developmental inertia. This is partially due to the excessive occurrence of bureaucratic controls (discussed in the previous section), and to the inherent fragmentation of remote and isolate economies, where the division of labour is limited. Eventually, those individuals will find that their capabilities remain transferable and will be attracted by opportunities outside remote regions, where their skills are more valued. This scenario highlights the perspective that governments can not force the division of knowledge in that sense, and while they play a critical role in attempting to accelerate the import of skills, they are relatively powerless at retaining those capabilities and creating a genuine economic surplus re-invested locally and supporting further division and growth of knowledge.  

- from observation, in such circumstance, governments end up focusing on skill import facilitation, in particular on hard infrastructure. The latter investments are visible, easier to measure and much less likely to leak out of the remote economy than those involving know-how. This is why they dominate the economic activity landscape in such regions where a mismatch between physical infrastructure, basic human capabilities, homegrown economic capabilities and aspirations can be observed.

- if a sizeable pool of unemployed or under-employed residents is found supported by welfare systems, these can engender needs associated with specific capabilities in administrating the welfare machinery to some extent (if resident infrastructure allows it). It is also likely that rent-seeking activities will arise to the extent that the delivery of those services (and the employment they create) are likely to become connected circular economic activities, despite the stagnant economic aspirations they will support.

- in the context described just above, the provision of basic (Sen-like) capabilities (health, housing, education, safety and the like) is likely to become an all-consuming activity. The value of these efforts is difficult to ascertain, especially if those investments are disconnected from parallel investments in homegrown and productive economic know-how. That point is critical, and explains why considerable amounts of resources can be deployed (trying to address basic human capabilities) and make little difference to local economic development, when the latter depends also on the growth of resident know-how developed locally and created to address local aspirations. The provision of basic human capabilities might constitute a necessary condition for economic growth, but is not sufficient for most remote contexts. Also the management of basic human capabilities is likely to be problematic and their delivery creates industries in themselves, potentially crowding out other minor ones. In many remote communities, education and health attract considerable funding and drive much of imports of technical know-how. Their delivery, accompanied with that of infrastructure, welfare and safety services, can become the main capabilities found in remote regions, and perhaps an end in itself.

- when an identifiable and distinct economic base or advantage exists in a remote community or region, it takes the form of a staple based on a set of natural or cultural resources (for instance a mining deposit or a tourism icon). Such staple can become so dominant in the economy, and the objective of retaining competitive advantage in its production can overtake community aspirations and the deployment of capabilities as well as shape infrastructure so as to service it. The staple problem arises from the fact that maintaining the staple agenda can undermine the diversification of local capabilities by crowding out the production of alternative, new capabilities, as the power of that dominant industry and the remote bureaucracy become ingrained in supporting the incumbent. It is usually believed (as in Innis 1930) that in the context of such regional staple economies, the economic surplus largely leaks the region, that what is re-invested locally is inadequate, and usually maintains the dominance of the staple, at the expense of efforts to fuel further division of capabilities.
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The above constitutes a description of dilemmas faced by remote economies using the terminology and
principles of the division of knowledge, showing how these can be extended to investigate small economies with
scarce pools of know-how and skills relatively undiversified in terms of a general outlook on developing and
equally transferable and retainable capabilities. It seems reasonable to assume that for such remote economies,
the prospects to grow—that is to exercise further division of capabilities—comply with the laws of knowledge
division based on the concepts of similarity and relatedness, although a further complexity is added by the
consideration of agent mobility and the existence of major 'structural holes' in the capabilities and connections
make up of those communities (Burt 1992, 2000), leading to the likelihood that most of the critical capabilities
repeatedly move in and out of the community or region. As Richardson (1998b:51) refers to the firm as a
microeconomy, the extended concept is not baseless. If new capabilities warranting further investments by
individuals or by firms (or by entrepreneurs as in Pelaez, Hoffmann, Melo & Aquino 2009:210) are chosen on
the basis of [a] the individual’s pre-existing capabilities or know-how (the similarity principle) and [b] the
conjectures made about other individuals (or firms) needs (the relatedness principle, itself connected with
competitive advantage), then this offers some basic guidance to the problem of choosing which capabilities
ought to develop in the future, even for undersized economies. When considering selective investments in one or
many of the usual sectoral contenders in the context of Aboriginal economies (mining, pastoral industry,
tourism, arts, NRM services, government and community basic services, etc.), the focus is usually concentrated
on the geo-strategic dimensions and potential of these industrial systems. The present framework shifts the
attention towards the potential for further division of knowledge and learning at the regional or local scale,
which is the learning potential associated with various industries and locations and their ability to provide the
impetus for the development of new know-how.

This discussion must necessarily return to the role of the public sector. In the business context, Richardson
was suggesting that ‘direction’ was needed to organise knowledge when insufficient coherence could be
reached—which became the rationale for the firm or organisation. At the community or regional scale, direction
needs to be supported by government understanding the dynamics of capabilities-building, preferably with a
view to lead that process in the interim, and assist it temporarily in emergent economies where participation in
the economic system itself needs support. In other words, the government and its extended bureaucracies must
explicitly favour the production (or even import) of skills creation that generates economic surpluses likely to be
re-invested locally and create further skills and markets. The latter point is more subtle than usually conceived
when job creation and business size or longevity are analysed. It is not necessarily about the growth of existing
businesses or the wealth of the locals (as measured by accumulating income or assets), but by the extent of
further Smithian division of knowledge. The focus needs to be on the evolution of and growth of diversification
in the remote economy. As capabilities expand and are divided, they must connect with new ones likely to be
deficient in the remote region, that is uncovering new structural bottlenecks for capabilities growth. The role of
government is to loosely anticipate such needs and facilitate the import of capabilities that will complement
those emerging locally and lead to new resident know-how and support localised know-how re-investment.
Understanding the evolution of that balance is likely to be the key for shaping the support required. Current
efforts concentrating on the necessary basic human capabilities aspects without putting in place matching
mechanisms to fuel the growth and division of economic capabilities (in the form of institutions governing
import strategies and controls on their mobility) will likely to lead to economic development entirely based on
the production of unusable competencies and dependency on the growth of health and education services.

There are different ways to conceptualise the nature and scope of the direction required from government and
public sector organisations. The role of that direction in the context of business organisations is expressed as the
need for ‘closure’ by Loasby (1999:63–7). This extends readily to remote economies characterised by excessive
volatility and patchiness (usually linked with resources variability and the mobility of its occupants and
compounded by political fickleness by Stafford-Smith, Moran & Seemann 2008). Partial closure by individual
agents is needed to support their ability to function and make private decisions, itself a condition for economic
and cultural participation. Governments provide frameworks fostering short-term stability when they impose
rules and routines with the objective of ‘imposing constraints on the choice set’ and ‘saving time and reducing
cognition costs’ of private agents, which allows them to make decisions about their own decentralised
investments in economic capabilities (Loasby 1999:63). In any circumstances, economic and social institutions
facilitate cognition by framing the rules of social and economic engagement, which is highly desirable indeed in
remote economies, where perceptions of precariousness and lack of control abound. The disadvantage, as
always, is that government direction closes some windows (limits some forms of innovation), can create
government sector/political cycle dependence and ambiguity, and distorts incentives to explore alternative
avenues to build aspirations and take charge of one’s future.
Government direction can compete recurrently with other coordination mechanisms. In remote economies, much is coordinated through social and business networks where participants establish strong or weak ties to fulfil a number of potential purposes (McAllister, Cheers, Darbas, Davies, Richards, Robinson, Ashley, Fernando & Maru 2008, Stafford-Smith, Moran & Seemann 2008). The analysis of the ambiguous role of governments in supporting emerging economies can be recast in terms of supporting and sometimes filling for incomplete network connections characterising remote economies. Complexity theory using evolutionary perspectives depict economic agents as interacting, not with ‘markets’ (the latter being simply rule-based institutions facilitating certain types of interactions) but with finite sets of other agents, allowing governments to undertake the analysis of the structure of their information networks (Potts 2000). Emergent systems differ by embodying distinct self-organising networks from which emerge new ideas and possibilities.

The context of attempting to design institutions to fuel remote economies forward is similar to modifying the nature of its networks and connections. Using the language of complexity theory, Potts (2000) describes as ‘phase transition’ qualitative changes in social and economic systems that result from jumps in the system logic, which can be observed through significant alterations in the number and configuration of connections. The role of government in emergent economies can be recast as monitoring, investigating and framing non-government networks so as to ensure sufficient coherence and facilitating the search and growth of capabilities. Not only must the search for development encompass an understanding of such phase transitions, but it must be based on the premises that remote economies must develop their own network configurations. It must also recognise that governments and bureaucracies can seriously hinder that process, by imposing uniformity of structures when this does not fit the situation, for instance by assuming that every region must have industry X, Y, Z, and must have analogous capabilities and collaborative linkages. The possibility that this might be imposing costs on tourism businesses that are detrimental to their growth and expansion has been explored in Tremblay and Wegner (2009b).

Furthermore, the pattern of connections needed to initially fuel and later support the emerging remote economy must carefully maintain the coherence between internal networks (to the region and locality) with those linking the outside world, the latter being also critical to the ability to import capabilities and export products and services as well as maintain the unavoidable political and public funding support channels. Those considerations would most likely extend to social and cultural ties and the nature of the customary economy, depending on the strength and coherence of the latter. Whatever their make-up and configurations, networks of capabilities constitute the fundamental assets of emerging remote economies, and the government sector itself is an important shaper of those (on top of being a set of networks in itself). That careful process of shaping must consider the needs of entrepreneurs (who play a central role in identifying and deploying capabilities locally) and make conjectures about the future of the local economy. But as a resource in itself (involving distinct skills), entrepreneurship is affected by the density and relative stability of those informal and more formal networks characterising a specific region. The fundamental requirement of fostering an emerging, genuine local economy involves having a large variety of agents creating and participating in networks in that sense and cannot be based on a few distinct entrepreneurs emerging among largely idle and non-participating shill-holders. The evolutionary depiction of markets displays limited and necessarily incomplete networks of agents communicating through sufficiently similar languages and sharing compatible (but evolving) aspirations. The nature of potential investments in market-making activities as such in the context of tourism will be considered in Chapter 6.

Conclusion: the evolutionary perspective on economic development

This chapter’s intent was to examine the potential of some selected economic approaches to address the questions raised in Chapter 4 about economic development in remote Aboriginal contexts. Previous chapters had justified such a roundabout route towards approaching the initial questions raised in this report for the following reasons:

- While Indigenous/Aboriginal tourism development is usually considered a strategic concern for State and regional tourism organisations, its assessment cannot be restricted to that domain. To assess tourism’s potential contribution to economic development in remote Aboriginal communities, approaches to and models for Aboriginal development needed to guide attempts to address these questions (Chapters 3 and 4).
- While identifying a divergent set of opinions about the need, the principles, the means and the cultural consequences of remote Aboriginal participation in the mainstream economy, Chapter 4 pointed at
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common themes with respect to contemporary outlook on cultural and economic autonomy, on the need to consider the connections between markets and government sectors as well as understanding the role individual participants (in the mainstream economy) can play in shaping the resources and knowledge they would need to combine to truly partake in its evolution.

The present chapter addressed these questions and extended those themes by exploring and adopting principles emanating from the growth of knowledge perspective on economic growth, and emphasising the mechanisms and institutions driving the development of ‘economic capabilities’. An initial step entailed differentiating ‘economic capabilities’ in the sense of Richardson, Penrose and Loasby from the basic-human capabilities as defined and interpreted by Sen. The latter are really pre-conditions to participation in the mainstream economy and entail complex bureaucracies generally funded by public and private sector activities to provide essentially merit goods. The necessity for all who desire to participate as such to access these services (health, education, safety and other basic amenities) has long been endorsed by Australian society, and is, theoretically at least, considered to be complementary to the welfare services as the latter remain conceived as safety nets.

The type of economic capabilities predominantly discussed in this chapter were the decentralised know-how and skills that support distinct economic activities, which grow by division and constitute the basis for economic system diversification. The latter process was presented as the fundamental driver of economic development. For the mainstream or market-based economy to grow through such simultaneous processes of division and coordination, economic agents must make conjectures about the learning that offers them the best opportunities, invest personally in those expanding know-how areas (or seek externally those capabilities) and develop institutions supporting further learning (organisational, government-supported and market institutions). The discussion also emphasised the nature of uncertainty and choices faced by individuals desiring to develop their competences, indicating that decisions were largely shaped by past competences as well as conjectures about future opportunities, in a way akin to Appadurai’s description of the ‘capacity to aspire’.

A connected implication is that the strategic development of Aboriginal remote communities requires considering the supply of basic-human capabilities (as in the recent emphasis on health and education) jointly with the potential to grow local economic capabilities. It is, from a strict economic development viewpoint, futile to develop comprehensive basic capabilities (for instance by making the locals work-ready) if there is no economic base and no set of economic capabilities allowing individuals to set their know-how in context, expand it and fuel a growing division of knowledge. There is no point developing such basic human capabilities if no one genuinely values them—because there is no one to trade with (wanting them) or no one else has capabilities to offer in exchange, to create a surplus. The so-called slow uptake of educational or health basic skills by Aborigines is sometimes blamed on the lack of cultural appropriateness, as well as apprehensions about or the effectiveness of services supply in remote areas. An alternative explanation lies with the absence of incentives to absorb these benefits due to the lack of connection between those benefits and investments in valued economic capabilities. In Loasby’s interpretation of the Adam Smith’s description of the division of labour, individuals are driven by ‘self-interest’ in a much more subtle way than has been portrayed by champions of laissez-faire. They are driven by cognitive needs to make ‘connections’ (and interpret the world) in ways compatible with others, and complementary as well. The social, cultural and economic connections they establish are directed in that sense, and their incentives to learn entails their personal understanding of what others know, and what others need to know and where their own capabilities fit in such a blurred picture. If too few capabilities can be found locally, there is little room for matching and for undertaking complementary know-how investments. As Loasby (1999:60) asserts, ‘any plan to develop capabilities involves a double conjecture, about the kinds of future that it is reasonable to prepare for, and about the appropriateness of particular capabilities to those kinds of future.’

The evolutionary perspective therefore shifts much of the blame for hesitancy to participate in job markets or more generally for relative economic backwardness from being a plain incentives issue (as preferred in the neoclassical literature, as well as by some anthropologists attempting to explain lack of participation—see Peterson 2006) towards a know-how development explanation. Incentives to develop capabilities matter, but reside ultimately with the individual (and cannot be artificially planned and engineered by governments), although institutions can be constructed to facilitate connections when knowledge is excessively fragmented, volatile or disconnected, and its division is undermined by remoteness. Retaining the language of incentives, one can argue that only so many skills and know-how can be pushed towards individuals and communities, their receptivity (or absorptive capacity) will be determined by their ability to envision a path between means and ends, which is a way to use them. The means are the capabilities and the ends their aspirations, and the connections can not be planned for and directed by a bureaucracy if objectives of economic and cultural
sovereignty matter. It must occur through a decentralised process of economic and cultural development retaining individual sovereignty.

This approach does not explain lower participation in the mainstream economy (in the remote Aboriginal economy context) by referring to inherently or culturally different attitudes towards work, but rather by differences in learning opportunities, from a number of perspectives:

- lack of exposure to the mechanisms of capabilities-building in market contexts, including ability to make conjectures about capabilities development;
- deficiencies in basic human capabilities (typical Sen-like skills);
- absence of an economic base—interpreted as located in environments characterised by their inability to retain or congeal productive sets of capabilities unto which new ones can be attached (the problem of remoteness);
- pervasive role of government and long-term structural imbalances created, in terms of the types of capabilities developed (often bureaucratic in nature), their fit with the environment and typical bureaucratic failures that ensue.

Some useful principles emerge with respect to the framework required to assess the potential contributions tourism and other industrial sectors can make in assisting economic development in remote Aboriginal communities and regions. These will be related to:

- the nature and typical growth of capabilities needed in given sectors (or for given markets served within those sectors);
- pre-existing capabilities (economic and other) found in specific locations or regions;
- Likelihood that new learning and new capabilities arising from division of know-how will remain in the locality or region, taking into account who is likely to develop these capabilities, and how likely they will be retained and re-invested locally;
- the potential to develop the specified sector or market in terms of dependence on government infrastructure and market knowledge if the latter is supplied from outside;
- the likelihood that capabilities developed in a given industry or sector can be used, extend or develop further to be valued in alternative industries or sectors.
Chapter 6

REGIONAL DEVELOPMENT OF CAPABILITIES AND THE CONTRIBUTION OF TOURISM

The elements of the approach supported in Chapter 5 highlight several valuable principles providing guidance for the establishment of the framework sought in this report. For the sake of examining the contribution of tourism towards the general goals of increasing remote participation in the mainstream economy, the ‘economic capabilities’ approach potentially resolves some of the conceptual tensions between those calling for greater participation in the market economy, those concerned with the impact of the market on cultural sovereignty (or the sustainability of customary pursuits), and those apprehensive about the damaging effects of welfare reliance and continuous dependence on an essentially government-led economy.

Assessing Participation in Tourism—the Competitiveness Dimension

While motivated by change, the evolutionary approach recognises that the assessment of various types of economic participation must endorse a development vision which is context- and history-dependent. The previous chapter showed that visions of future aspirations must be linked to past and existing capabilities (as per Richardson’s model) and real-time organisational capacity to absorb and adapt (as per Penrose’s). As path-dependent learning is central to the evolutionary development outlook and puts forward what agents and small communities can do to both secure short-term economic viability and appropriate local economic rents locally in the longer run, it is essential to blend considerations of competitive advantage with those of local learning when considering specific industries. As is usually recognised when undertaking resources portfolio and marketing positioning exercises, the competitive advantage perspective includes classical resources considerations, natural and manmade, and in the case of tourism, usually extends to other human (social and cultural) competitiveness determinants for a destination or region. The competitive advantage model then sets out to contrast those resources with those held by an identified set of competitors also holding similar or differentiated resources to suggest where the natural and strategic strengths of one locality, region or destination might lie. The capability perspective developed in this report adds to these conventional dimensions the capabilities dimension. It considers the learning history of a place or region assessing its accrued (concentrated and dispersed) capabilities, as it establishes a connection between past experience (in producing, but also distributing, consuming and learning itself) in a set of activities and the likelihood of being capable of producing goods or services effectively and sustainably in similar and/or related activities in the future.

From a purely strategic viewpoint as well as an economic theory of development, the capabilities view highlights dynamic efficiency in a context that could be described as competitive learning. This is so because it recognises that competitors (for instance, other businesses, regions, localities or jurisdictions), are also involved in the process of learning and developing new capabilities, and will ultimately contribute technologies and marketing competencies. This will shape their own choices and competitive landscape for the production of goods and services affecting the broader spaces and markets in which they operate. As emphasised by Loasby, the competitive processes features conjectures about one’s own and other learning paths. In that context, assessing the potential for being involved in any business sectors (such as tourism) needs to proceed by mapping the comparative and differentiating resources held by regions or destinations (as done traditionally), but also extend the analysis to their past investments in tourism capabilities, and other (non-tourism) capabilities that play a role in allowing that specific region to learn fast and well. Useful strategies for developing economies must explicitly attempt to foster decentralised connections between the development of new capabilities and the evolution of emerging local aspirations, so that private participants in such economies learn to be involved in the process of making conjectures about their possible future, in producing locally valued economic rents and in being involved in their local re-investment.

This implies that the framework to be developed in this chapter cannot take the shape of a set of generalised recipes, as often found in regional tourism development plans, or universal quantitative indicators as the sub-goals are inherently community-dependent. Several development and tourism plans, recipes or lists of considerations can already be found in the public domain, and provide rudimentary guidance with respect to the
key levers for tourism development. They are particularly useful for regions diagnosed to be altogether lacking in destination competencies and in need of fostering closer linkages and agree of long-term objectives. Such plans (as well as platforms for networking) are generally provided by destinations tourism organisations and often target ‘small’ tourism businesses exhibiting conventional flaws linked with inadequate generic business and marketing skills base. In the context of remote regions considering entering tourism for the first time, similar processes have been proposed and implemented to support Aboriginal communities completely inexperienced in the ‘tourism game’ so as to allow them to envision the variety of forms and the implications of tourism for community life (Hall 2005, 2007).

While tourism development plans sometimes feature a recognition of the need to consider the availability of some type of competencies (in the form of facilities, amenities, generic business skills, entrepreneurial talent, etc.), they often assume that these skills can be adjusted or upgraded according to need, by the way of simple investments in education or training, not appreciating the embedded and unremitting nature of skills development. Tourism plans can take a naive view of the nature of investments in know-how, assuming that they are merely issues of incentives and that skills can be supplied-push (through facilitation) or imported according to needs. This explains why so many identified efforts to develop capabilities in regional tourism never materialise, particularly in skills-poor environments, as the efforts to develop them are disconnected from the learning history of the place. In other words, efforts to acquire productive capabilities driving local economic growth must be embedded within a genuine and organic process of division of knowledge connected with local aspirations, and ultimately involving decentralised local choices.

If this report is ultimately concerned with the economic capabilities involved in conducting tourism business in remote Aboriginal communities, it must raise the issue of whether tourism provides communities and individuals with greater, more in number and variety, future options, or whether it is likely to reduce future choice relative to other options. In other words does tourism offer an appropriate mechanism to branch out in similar or related activities, tourism and non-tourism. The possibilities of diversifying into connected businesses on the basis of vertical linkages, to further expand in non-related businesses (using similar or related capabilities) and/or to possibly altogether exit from tourism when more appealing opportunities arise need to be considered as plausible options, as any investment in a set of capabilities must be understood as a path towards building superior new resident capabilities. Governments (and consultants) cannot predict the directions taken by that evolutionary process on the basis of the past (existing capabilities) and the future (aspirations based on conjectures about the future), but they should be able to facilitate that process in highlighting its dynamic attributes. They can facilitate knowledge growth by allowing for distinct and localised learning to take place, by providing strategic government support in some areas (often infrastructure and basic human capabilities) and by withdrawing some bureaucratic capabilities in areas where they are no more needed, as well as encouraging cross-community and cross-regional fertilisations in some cases. Remote regional planning must recognise that different communities and regions will follow different paths, will assess their capabilities differently and will ultimately have different aspirations as to the nature of the economic base they want to develop.

The raw material shaping that place-specific evolution are the distinct configurations of economic capabilities (know-how and skills embedded in routines that determine what individuals or communities can do) available locally, which itself reflects past learning successes and failures. Whether these are highly diverse or not, embedded in only a few individuals or widely dispersed is what distinguishes communities and regions. Whether they further are connected with a coalescing set of aspirations (in revitalised economies) or under-utilised locally and diverging in their outlook (in declining or infertile regions) also plays an important role in differentiating remote local economies. Ultimately, different communities will make distinct evaluations of the importance of the potential of industrial and services development options (which government might tend to homogenise, as a normal outcome of the way planning and policy operate).

A deliberate and articulated process of decentralisation is required for the diverse communities or regions of northern and central Australia to organically learn and enhance their ability to learn. And that process must involve a changing mix of government and market institutions interacting with entrepreneurial know-how, rather than the continuing dominance of evaluations and generic plans conceived centrally by governments and consultants. Of course, the capabilities approach underscores the need for coherence in its general approach to learning. It has been shown in Chapter 3 that traditional arguments that tourism is bad for Aboriginal people (usually based on a static view of how tourism will compete with the benefits from their everlasting involvement in the customary economy) or that it is good (usually limited to considerations of potential for immediate jobs) presume static preferences vis-à-vis a sphere of economic activity, general community aspirations, a level or type of technology and the presence of immovable cultural constraints.
The perspective developed in Chapter 5 is in contrast dynamic in the sense that it opposes the view that choices to engage or withdraw from industrial participation in any area of economic sphere should be based on static or short-term conceptualisations of Aboriginal capabilities, especially since such views unavoidably lock them into limited possibilities. Realism, of course, entails a recognition that many communities hold restricted capabilities (in specific locations at a given point in time), and justifies the learning perspective adopted. If various individuals or groups (and their advisors) consider positively tourism as an option for economic development, it should not be on the basis of short-term government vision or support nor for the creation of jobs unlikely to broaden the level of know-how of the community or region. The latter would most likely not contribute to genuine learning nor offer avenues for the local appropriation of economic rents. Similarly, arguments that tourism is not or is less desirable than other sectoral development or job types can not be based on assumptions of cultural, institutional or know-how rigidity as such assessments become expressed aside from the development process itself, and ignore its ability to exercise change in those relevant domains and viewpoints. Participation in any industrial sectors in small remote economies offers a number of opportunities and challenges that should be assessed essentially in terms of their learning potential (including learning to modify institutions). By the nature of evolutionary thinking, these should follow principles connected with similarity and relatedness which cannot be predicted, by economic agents, consultants or governments. What is expected from decentralised economic growth is to foster a growing ability (by communities and individuals) to learn about the possibility of choice and assemble the means to shape their own aspirations.

The sections that follow will therefore examine particular considerations applying to tourism and will provide the elements of a framework that could be further developed to inform a specific region or jurisdiction. The approach will consider elements that are sector-specific (in this instance related to tourism) and others that are not, as choice is always relative to the scope of alternative options. Because of the nature of the present report, the objective is sometimes to examine how tourism compares to other sectors, and can be at best suggestive as it requires detailed understanding of technological and market evolution in the alternatives sectors as well as tourism. It can also provide directions to examine how specific instances of tourism development compare to each other, for instance with respect to tourism schemes taking place in alternative regions, with alternative market segments, alternative development types or projects, and the like. Most of these questions constitute traditional elements of strategic marketing investigation, often akin to SWOT (strength/weakness, opportunity/threat) analysis as conceived by planners and development consultants who try to provide definitive answers, valid within the realm of existing technologies, and existing or potential markets. As was argued above, the nature of that process itself limits the horizon to which it can be applied, and implies crude assumptions regarding the nature of capabilities, their growth and their links with local aspirations. The capabilities development framework is also expected to directly influence the policy process as well as institutional design, including the making of market institutions. Acknowledging the overwhelming dominance of government institutions in the economic life of Australian remote regions of concern to this report, the process of considering future learning paths must be based on a realistic attempt to consider how the process of capabilities development is to become decentralised and embedded in the market, if innovative configurations are to emerge.

Private and public sector-driven institutions that dictate the terms of competition and collaboration shape tourism, like any other industrial sector. It is critical therefore that the capabilities framework be sufficiently pragmatic to balance competitiveness with learning dimensions. That is to say, there is no point in considering uniquely the learning needs of a community or of a number of Aboriginal stakeholders without connecting those with the realism of the competitive fit with the tourism system, of competing communities and of the regional economy. The approach advocated sees the eventual selection, division and connections of capabilities through the market process as a critical objective of the universally enunciated but rarely explained ‘participation in the mainstream economy’ goal. Elements of the tourism system affecting competitiveness (natural, cultural, social, locational and infrastructure resources) combined with existing capabilities in the provision of tourism-related services embody the tourism potential of a community or region. Communities can aspire to take advantage of that potential and develop further capabilities in the tourism area for instance, if this gives them the means to shape some of its institutions. Having recognised that remote community livelihoods are largely dominated by government directions in many remote regions, the institutional development required involves the creation of enterprises, as well as some markets (regional, inter-regional, national, etc.) and should promote a shift in the type of support expected from the bureaucracy, not to favour some industries (as in the traditional infant industry argument for protectionism) or to allocate industries to communities (as some forms of conventional planning would have it), but to shift from a welfare provider role to one of supporting the growth of knowledge in ways compatible with an equivalent growth of aspirations and choice.
This constitutes a significant challenge as it must be recognised that tourism in some jurisdictions or regions (such as in the Northern Territory) has historically been essentially a government-led venture, with the latter, through its government funded destination agencies dominating most decisions, including infrastructure development, funding and circumscribing the main attractions and connected facilities, financing its comprehensive marketing, facilitating its community acceptance and largely directing its regional industry organisations (through direct funding). The more remote the operation, the more likely tourism private sector capital is co-invested with the public sector. The dependence of tourism activity on taxpayer-funded infrastructures and the overwhelming role of government in supporting business skills, monitoring product quality, regulating access to land and landscapes (owned or leased-managed by governments) as well as providing community facilities that tourists would depend on means that tourism is, in the majority of remote locations, a shared venture.

Despite the comments above about the need to understand how the tourism system is itself shaped by top-down government directions, it is necessary to move away from a strictly tourism-centric approach when considering the extent of Aboriginal involvement in tourism and re-focus on capabilities. The challenges of addressing IAT aspects for destination tourism agencies and bureaucracies (such as Tourism NT) arise precisely from the variety of views on development (across bureaucracies, businesses and communities themselves), and the lack of clarity about the developmental objectives. That vagueness related to remote Aboriginal development contrasts considerably with the excessively centralised and firm vision of tourism development driven by tourism marketing departments. Providing advise about ‘potential projects’ to prospective tourism Aboriginal entrepreneurs or communities situated at the fringe of tourism priorities becomes a delicate activity for these organisations holding considerable tourism system know-how, but not in a position to guide community aspirations.

Destination marketing agencies can ultimately only comment about the marketing fit of those projects with the existing tourism system directions (the plan) and their own marketing orientations. But the framework developed in this report also emphasises the need to find ways of transferring some institutional know-how towards the regions and communities so as to support their learning potential (to be applied in tourism and other sectors). The purpose is to fuel local development in ways that fit and shape future tourism strategies and recognise that centralised tourism agencies cannot deal with the full complexity of economic development. The growth-of-knowledge perspective adopted here advocates that the aspects of competitiveness (tourism system fit) and capabilities-based development (learning capabilities logic) will therefore need to be integrated in ways that support local aspirations and remote economic development.

Attributes of the local/regional economy—macro considerations

In a first instance, the capabilities approach can be applied to examine or contrast the general orientation of the remote Aboriginal economy, which will be defined below. To differentiate between types of Aboriginal economies, their geography must be considered, as well as their economic orientation. Up to now, the discussion has referred loosely to ‘local and regional’ economies to reflect the looseness of statistical and political boundaries, or the fact that the latter do not necessarily correspond to the most meaningful aggregates to analyse and interpret the dispersion of capabilities and the connections with human settlements. Any planning effort adopting the economic capabilities perspective in a defined geographic space would need to undertake the mapping of a number of basic tourism elements, and the relationships between them, including:

- the spatial dimensions of land tenure;
- the cultural connections and groupings between inhabited, utilised and formally exploited areas (both formal and informal);
- the population dimensions and residential mobility attributes;
- the geographical articulation of regional governance, and possibly political entities;
- the spatial organisation of basic services, infrastructure responsibilities, other key government services provision.

The aspects listed above might or might not easily coincide with each other. In most cases, they will not coincide in the long-term with what makes up an economy or an economic base, and in the case of northern or central Australia, they might well be vacuous in that respect. This is due to the fact that some economic regions (for the sake of regional economic and tourism planning) actually embed very few economic capabilities—in the sense of know-how that was developed organically and is meaningfully ingrained in the aspirations of a place or community holding a high potential of further resident growth—as opposed to temporary capabilities imported by the government to administer an elusive political entity. The ideal unit of analysis might therefore range from
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community or town-based centres to broader and necessarily more elusive regional economies.

An ideal community for such type of analysis must embody a distinct set of capabilities and provide a real economic base. In many cases though, a meaningful basis for economic analysis will require to be larger and encompass diverse regions themselves incorporating inter-connected settlements characterised by intricately woven and mobile populations, and their inter-dependent resources and capabilities.

The definition of the unit of analysis for economic analysis can not be restricted to aspects of demography and land occupation, and must extend to the endogenous nature of the economy itself and the nature of economic interactions between geographical entities (in terms of market exchanges or cooperation, technical collaboration, etc.). There are many ways to conceive of and represent the economic relationships within a region, and between it and other areas, including measures of trade in goods and services, and distribution or transfers of factors of production, financial flows, etc. The extent to which an economic region has a base concentrated on servicing its own needs, referred to as a relatively high degree of self-sufficiency or autarky, or the extent to which it is connected/integrated with other economies with which it trades constitutes a primary, useful consideration differentiating regions for the sake of assessing the value of distinct industries in achieving development goals. Regions, like nations, can be relatively self-sufficient because of their resource endowments and can have developed a wide array of needed capabilities matching such circumstances (their ‘condition’ in terms of their population and resources). The latter might or might not reflect deliberate policy orientations. Neoclassical economic policy usually encourages the maximisation of potential gains from trade and warns against attempts to achieve self-sufficiency, due to many theorised typical drawbacks of protectionism usually connected with diseconomies of scale in public and private sectors production, potential for technological backwardness, etc.

From familiar characterisations of remote economies (in northern and central Australia) and comments discussed earlier, the latter can be described as highly dependent on other regions in terms of the extent of transfers supporting livelihoods and infrastructure development, and in terms of movements of factors of production (human capabilities, capital, materials and services imported as well as some outputs). Yet, remote regions differ with each other in terms of the extent of trade of goods and services with neighbouring or even more distant regions inside and outside Australia, to the extent that some export industries such as mining or pastoral activities often dominate the statistical regional outputs even when the latter have little to do with or contribute to the economic health of the region. Such economic enclaves can involve tourism and the resulting lack of integration of some forms of tourism development with the regional economy can become a serious source of local frustration (Tremblay 2008b). If the analysis of the degree of economic integration of a region has been traditionally considered significant from a strategic development viewpoint, there are opposite views as to the wisdom of specialising or diversifying as a strategy for economic development. What can be agreed on is that it is important to assess whether tourism development fits with the desired objectives of a region. In some cases, tourism might help support the diversification of the regional economy; away form another dominant-staple industry. In another, tourism might plant the seeds for some type of skills specialisation so as to encourage the establishment of an emerging economic base. Regional economic development is a difficult balancing act because self-sufficiency can be both a strength and a source of vulnerability in that context.

The tension above arises because neo-classical thinking on development conceives the ‘size’ of the economy as its main source of efficiency, by assuming a bigger economy entails greater market opportunities and exchange possibilities (Stigler 1951), which become the driving forces of (or at least the argument for) ‘growth’ in many a Chamber of Commerce. Irrespective of conflicting views and arguments linked with diseconomies associated with size, that approach applies mainly to economies having achieved a certain size and entailing a significant degree of diversification and capabilities development to start with. It is well known that remote regions (such as in Europe) can also decline if the capabilities they entail are more valuable elsewhere and their traditional resource base is eroded. Simplistic neo-classical arguments based on size alone bypass the examination of the nature and structure of the economy, because they assume that more economic agents will exchange more, simply due to their ‘proximity’ or notional lack of barriers.

Alternative, non-neoclassical approaches to economic development take a different view of regions (and economic agents) by assuming that they hold limited capabilities and can conduct or manage a restricted number of connections between them and with the outside world. Such approaches model economic agents as never actually exchanging in a global market (portrayed as an infinite array of homogenous traders) but in fact as interacting with a discrete number of partners and capable of entertaining only a small set of such exchanges (see Potts 2000, 2001).
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The nature, extent and configuration of connections in an economic environment itself constitutes a core regional attribute that shapes the evaluation of existing learning channels and the potential for extending these. The question of whether a region should deepen its knowledge in one existing area (in which it holds some advantage or believes it can create one), or extend its knowledge in areas new-similar and/or new-related or altogether diversify away from its existing capabilities base depends critically on its aspirations. The latter involve individual and group choices relating to the type of community it wants to be and its circumstance, in particular with respect to its need to address economic dependence (if it is continually leaking economic rents and capabilities) as well as its desire to curb economic vulnerability in times of recession. As far as arguments pro- and against- regional diversification go, there are numerous discrete arguments supporting either specialisation or diversification, and their worth can usually be truly evaluated only when pre-existing structural attributes are examined and aspirations are brought in the discussion, recognising that differentiating between community and individual aspirations can be problematic.

Following the analysis of Chapter 4, another aspect ought to be considered for remote regions dominated by Aboriginal communities relating to the extent of the prevalence of the three economic spheres (as per Altman’s work), that is the relative importance of the government, customary and market dimensions components and institutions in the regional economy. This is a significant aspect in describing some Australian remote regions, although its implementation constitutes a challenging task because of the difficulty of ascertaining the nature and value of the customary sphere (acknowledged by anthropologists), but also in terms of properly delineating the government and market spheres. It was argued earlier that much of ‘private’ production (as per official categorisations and accounting in many remote regions) is in reality only delivery or production driven and funded by government planning, directions, demand and subsidised transfers. The fact that the 3 spheres do not sit side-by-side as distinct choices, but arguably involve some individuals participating switching between them according to preferences, opportunities, capabilities, seasonal patterns and natural and cultural environments, simultaneously or sequentially makes it particularly difficult to document and account for so many shades of grey.

Newhouse (2000a, 2000b) has suggested a useful typology of Aboriginal economies pertaining to northern Canada which embodies sufficient generality to consider its applicability in the context of Australian environments, recognising that the institutions and political context he describes are specifically Canadian. As for the case that was made above to differentiate between the mainstream context and the northern-central peripheral regions, Newhouse’s framework recognises that:

- the Aboriginal economy is not one entity that extends throughout Canada. Rather, it consists of many local and regional entities spread throughout the country. While many people categorise the different economies as northern, southern, traditional, subsistence, market, for our discussion, it is more useful to think of Aboriginal economies as consisting of two distinct and different types of economies: enclave and interwoven’ (Newhouse 2000a:68).

That basic division replicates the distinction used for Australia as far as the economic makeup is concerned, but emphasises the differences in legal status and governance regimes in which development takes place.

The *enclave economy* model pertinent for some areas in Canada refers to economies which have a clearly defined and bounded geographic location with a central Aboriginal government authority. These economies are dominated by the federal legislative and regulatory framework (itself defined mostly by the Indian Act which makes the rules regarding land and resource use, access to credit, etc.) and the division of powers between government levels (either federal, provincial or Aboriginal, many of which might or might not coexist) defines the degree and nature of outside involvement and intervention as opposed to autonomy. Newhouse observes that:

- These economies have a series of well-defined links to the surrounding regional economy, usually as a purchaser of goods and services and sometimes, as the producer of selected goods.
- Local individuals may also participate in the surrounding regional economies as member of the labour force.

In contrast, *intertwoven economies* may have a defined geographic location but do not have a central Aboriginal government. The latter mix urban, rural and remote economies and are essentially intertwined in the mainstream economy. Newhouse’s framework recognises that many Canadian Aborigines participate in the mainstream economy while communities themselves differ with respect to the types of businesses (publicly owned businesses, small business community, individually owned businesses, etc.) or type of industrial sectors they engage in (natural resource companies, traditional forms of harvesting activities, high-tech services, etc.).
Newhouse’s framework usefully combines aspects discussed in this section by categorising them in terms of their ‘market orientation’, which incorporates the geographical market and sectoral aspects of economic development. The following extracts (from Newhouse 2000a:69–70) describe three types of economies related to the ‘market extent’ differentiation and based on documented patterns involving:

- consumer types and locations;
- industries, goods and/or services; and,
- type of government support useful for each market orientation.

These constitute interesting snapshots and perhaps suggest some regional evolution pattern, although there is no explicit theory of development in Newhouse’s account.

### Type 1—Aboriginal economy: a focus on local markets

This economy is developing a small business infrastructure. It is an economy which consists of several small businesses, either individually, collectively or publicly owned. The businesses are typically small, owner-operated, one or few employees, usually family members, and focussed on meeting local market needs. The overall focus of the economy is inward and local. Typical businesses are gas stations, variety stores, grocery stores, craft stores, movie rental stores, local fast-food restaurants. Businesses which serve local public institutions like local school bus operators, road maintenance, garbage collection and the like may also exist. These businesses in serving a local market are usually marginally profitable, providing a sufficient income to support the owner-operator but not usually generating sufficient surplus to finance expansion and growth, if the owners are inclined to engage in this activity.

**Support required:** A type 1 economy will require a high degree of support for the development of small businesses, access to small amounts of capital through programs like lending circles, micro-business lending programs, assistance in economic and business planning and local training programs and programs to develop entrepreneurs. Establishing mentoring may also be necessary and after start-up programs to help individuals through the first turbulent years of business. The primary focus of the development effort for a type one economy is small business stimulation, through encouraging either individuals (or groups of individuals) to start businesses or by starting them directly as publicly owned enterprises. They can accomplish the encouragement effort through the establishment of a development corporation which then undertakes to identify opportunities and individuals who may be interested in pursing these opportunities. Either the development corporation, the local Aboriginal government (if one exists), or a local community service organisation can act as an advocate for business development, forging links with other businesses who may have opportunities for small businesses, or gathering information on government procurement programs (at all levels: federal, provincial, municipal or Aboriginal) or any number of other tasks designed to stimulate and encourage small business development.
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**Type 2—Aboriginal economy: a focus on regional markets**

This economy has a small business infrastructure which functions effectively at meeting local needs. A few of these businesses are growing into medium sized businesses. The focus is on the development of regional markets in the regional economies rather than on the local markets. The overall focus of the economy is outward and regional. The business infrastructure consists of a few businesses which serve regional markets and many which serve local markets. Some smaller businesses may sell goods and services to the larger businesses. Typical businesses are craft outlets, local manufacturing and construction companies, stationary stores, hardware and lumber yards, quarries and gravel pits, logging and forestry operations, fishing and aquaculture and service companies such as consulting services, computer services, etc. The businesses serving regional markets usually employ people beyond the immediate family and can generate sufficient surplus to support the owners who can probably hire managers to run the company on a day to day basis.

**Support required:** A type 2 economy will require access to higher amounts of capital, perhaps some specialised expertise in marketing, production and political assistance in creating a climate of acceptance among regional mainstream businesses who may perceive local Aboriginal businesses as unfair competition. If a community has chosen public ownership of businesses, providing assistance in the development of appropriate institutions and mechanisms to separate business decision making from governance and political decision making plus developing policies regulations aimed at creating an orderly market will be necessary. Business information needs increase in complexity: more marketing information is needed by businesses, more and timely financial information is needed by the owners and creditors. The use of the Internet/world wide web as marketing tools becomes more important, especially if the company has a highly specialised product. The primary focus of type two and three economies is encouraging and assisting in the development of larger businesses from the smaller ones which have been created, if possible. This role can again be undertaken in a number of ways: by a development corporation, local service organisations or local governments.

**Type 3—Aboriginal economy: a focus on national/international markets**

This economy has developed a few businesses which are developing into national or international entities. The overall focus of the economy is outward and national/international. The business infrastructure will look similar to that of a stage two economy but with the addition of a few businesses which serve national or international markets. Typical businesses are computing services, high quality arts and crafts companies, mining and other natural resource extraction, selected fishing and aquaculture companies, and service companies such as paper shredding, travel agencies, investment firms.

**Support required:** A type 3 economy will require specialised expertise in national/international marketing, specialised export financing, government advocacy in creating places for Aboriginal products in international trade fairs, expositions, tours and the like. Here specific expertise in the development of joint ventures, partnerships, national and international business agreements would be helpful.

Newhouse’s framework is based on his interpretation of sizeable empirical observations about the diversity of Aboriginal economies observed across Canadian environments. His description is relatively conventional insofar as it suggests a process of market expansion through increasing geographical reach, and assumes that capabilities can accumulate to match that growth. The implied growth from local market stance towards national and international outlook reflects superficially neoclassical construal of the dynamic relationship between market size and technological expansion (as in Stigler 1951). While the elements of Newhouse’s analysis are of interest, they might have limited applicability to truly remote regions because of the assumption of natural growth (through stages of market expansion) and in the context of an institutional vacuum.

In the Australian context of interest to this research, government institutions are already in the driving seat, propping, engineering and directing those remote economies perceived as not holding sustainable economic bases. Not only are some of these economies without sufficient basic capabilities to produce and trade, they are also often without satisfactory (sizeable and capable) local markets that would justify a search for competitive advantage driven by growth aspirations. To be more applicable to remote Australia, the attributes used to
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represent the economic landscape of dissimilar regions (relating to market type, sector type and government role) ought to be linked with regional learning competencies and the regional potential to create enduring skills as well as to appropriate them locally to extend the division of knowledge.

The specific question of whether a community or region should specialise (to trade with others) or diversify (to create its own market and capabilities first, and then expand) is much more complex and not one that calls for a universal solution. It can be hazardous to extend the principles applying to individual learning (in regional growth context) to those of regions competing for competitive advantage. While referring to a ‘diversification versus specialisation’ controversy might be over-simplistic (and has usually been discussed outside the context of Aboriginal economies), a large number of conflicting viewpoints have been expressed by researchers about whether a developing regional economy should concentrate on a few types of capabilities to establish a distinct competitive advantage (specialise) or proliferate to create agglomeration economies (diversify), usually in the context of more developed, but declining regional economies (Desrochers 2001, Feldman & Audretsch 1999, Glaeser, Kallal, Scheinkman & Shleifer 1992, Harrison, Kelley & Gant 1996, Jacobs 1969, Henderson 1997). These approaches consider variants such as growth pole policies based on industrial clusters including at least one ‘propulsive sector’ supposed to provide the momentum and lead technological development. The opposite argument espousing diversification or agglomeration economies is based on the creativity expected from the proximity of many, disconnected activities. In one sense, the specialisation argument follows a strict and narrow development strategy focusing on ‘similarity-based’ learning tactics (dubbed by Langlois and Robertson, 1995, as incremental innovation) while the agglomeration approach is based on building up local ‘relatedness’ (and referred to as radical innovation).

Again, it is risky to extend directly the arguments formulated in the context of hi-tech industrial development for the sake of comparing regional economies with basic, services-orientated and limited knowledge bases. In the case of Aboriginal remote economies, the analytical focus ought to be on the possibility of building either a competitive advantage in some area (that can support extra-regional trade) or to develop a local market so as to develop organically a sufficiently diverse pool of skills. Both dimensions can apply to tourism development, although to a limited extent.

Apart from a few locations where the presence of an icon can ensure a continuous demand for tourism-related services, tourism is unlikely to provide a sustainable source of specialised development (supporting a specialisation strategy) because of its intrinsic heterogeneity (tourism is made up of services quite dissimilar to each other) and the nature of tourism competitiveness which requires ongoing generation of novel ideas, concepts and products (see Tremblay 1997). On the other hand, tourism might help supporting localised diversification by calling for dissimilar capabilities (to those already held in the region), many of which can be transferred easily to other sectors and lead to an advantageous increase in the division of knowledge. The value of tourism for remote Aboriginal regions, in that sense, is less likely to be associated with the development of a central or strategic sector on which regional development centrally depends. From a macro perspective (and ignoring the learning capabilities aspects momentarily), the tourism sector is more likely to be effective in a supporting capacity, as it supports industries providing services directed at the local population. In that sense, tourism can assist the creation of agglomeration or diversification economies. To that extent, it is useful to extend this discussion to take into account different degrees of involvement in tourism that remote Aboriginal economies could consider, as previous discussions did not differentiate between degrees and types of participation. While it is not possible to detail all possible product concepts and alternatives available to distinct communities or regions, a number of considerations often discussed in the IAT literature are pertinent to that argument.

The intensity of tourism participation

This refers in the present context to the nature and spatial attributes of tourism engagement. Tourism ventures vary in the extent to which individuals need to participate or communities as such need to be involved. Arguments for and against maintaining a physical and cultural distance (between tourists, its industry and locals) or allowing for close relationships and minimal interference have long featured in the literature related to tourism in less developed countries. These arguments conventionally contrast the desire or need to minimise potential detrimental impacts of various types originating from direct exposure or interactions with tourists, with the benefits of a sustainable, decentralised and equitable industry involving locals directly (linked with perceptions of product authenticity, fairer tourism income distribution and small scale development).

The present report suggests that a highly relevant and overlooked dimension has to do with the extent and type of learning implied in both contexts. Tourism enclaves have historically been justified in less developed

A LEARNING INTERPRETATION WOULD HIGHLIGHT THAT THE POTENTIAL TO EXTEND LOCAL CAPABILITIES AND ALLOW NEW MARKETS AND PRODUCTS TO BE CREATED IS ALSO HINDERED BY THAT INSTITUTIONALISED DISTANCE. MANY CONTEMPORARY TOURISM PRODUCTS TAKING PLACE IN OR AROUND ABORIGINAL COMMUNITIES CONSTITUTE VARIATIONS (AND COMPROMISES TO THE FULL ENCLAVE OR FULL PARTICIPATION MODELS) IN ALLOWING CONTROLLED VISITS OF COMMUNITIES (AT TIMES AND UNDER CONDITIONS REGULATED BY TOURISM OPERATORS IN GENERAL). RATHER THAN HAVING LOCALS ATTEMPTING TO INTERACT WITH VISITORS IN AND AROUND AN ENCLAVE (USUALLY TO ATTEMPT SELLING SOUVENIRS OR OTHER GOODS OR SERVICES), THE VISITORS ‘GAZE’ AT THE COMMUNITY, ITS PEOPLE AND ENVIRONMENT AND THIS PARtially SATISFIes THEIR DESIRE FOR (PERCEIVED) AUTHENTICITY AND CAN INCLUDE A CONTROLLABLE AMOUNT OF DIRECT INTERACTIONS AND, WHICH IN SOME CASES COULD LEAD TO A LIMITED AMOUNT OF TRADE. BUT IT ALSO IMPLIES THAT LIMITED KNOW-HOW TRANSFERS MIGHT BE POSSIBLE.

IN CONTRAST, FULL ACCESS TO REMOTE COMMUNITIES AND THE IMPLANTATION OF LARGE-SCALE TOURISM DEVELOPMENT INVOLVES GREATER OPPORTUNITIES FOR LEARNING-BY-DOING OBJECTIVES (WHICH IS IMPLICIT IN INTERACTING AND TRADING WITH VISITORS) BUT CAN RESULT IN A NUMBER OF POTENTIAL COSTS OR RISKS:

- The need to manage rampant exploitation if the trading skills are excessively unequal;
- The pressure resulting from importing many capabilities unavailable locally (needed for a full-scale tourism development). The need to import and ‘fly-in, fly-out’ staff also puts different sorts of pressure on community resources and creates new costs (safety, housing, etc.).

IT IS ALSO POSSIBLE TO RELIEVE COMMUNITIES FROM TOURISM PRESSURES AND INVASIVENESS BY Undertaking SEASONAL EVENTS, THE LATTER CONSTITUTING A PARTIAL, TIME-BOUND OCCASION FOR INTENSE INTERACTIONS, WHERE SOME LIMITED LEARNING CAN TAKE PLACE.

FORMS OF PARTICIPATION

TOURISM INVOLVEMENT ALSO DIFFERS IN TERMS OF FORMS OF PARTICIPATION (FUNCTIONAL SPECIALISATION), WHERE A COMMUNITY OR REGION MIGHT OFFER ONLY ONE OR A FEW TYPES OF TOURISM SERVICES OR FACILITIES. WHILE MAJOR INVOLVEMENT IN TOURISM CALLS FOR MANY TOURISM FUNCTIONS TO BE ADEQUATELY DELIVERED, IT CAN BE ADVANTAGEOUS FOR SMALL COMMUNITIES OR REGIONS TO GET INVOLVED IN ONLY A SMALL NUMBER OF SUCH FUNCTIONS BY ALLOWING ONLY SHORT TOURS, OR ONE INSTANCE OF A SERVICE (SUCH AS A CAMPGROUND TO CATER FOR INDEPENDENT TRAVELLERS, etc.). THE CAPABILITIES PERSPECTIVE SUGGESTS THAT DIFFERENT LEARNING BENEFITS ARISE IN DIFFERENT SITUATIONS. FOR A COMMUNITY CHOOSING TO GET INVOLVED IN TOURISM ACROSS THE BOARD, THERE ARE ADVANTAGES IN THE FORM OF:

- cross-functional learning and business relationships between functions and businesses constitute important know-how and skills to extend participation in the mainstream economy;
- it might be possible to achieve a greater control over product or destination concept at community levels by developing local capabilities across functions (for instance including marketing), as long as not too large a proportion of capabilities needs to be imported;
- the appropriation of tourism economic rents in the community from successful ventures (if any) is more likely when a large proportion of services have local origins and converge in their aspirations;
- it is also probably easier to control destination image and perceptions of quality if tourist markets are dubious about product integrity (can be in terms of quality of services, safety, authenticity aspects, etc.), by not relying on distant product providers.

FOR COMMUNITIES DECIDING TO FOCUS ON ONE OR A FEW FUNCTIONS (SAY HOSPITALITY, ATTRACTIONS, TOURS, CULTURAL DISPLAYS, etc.), THE FOLLOWING CONSIDERATIONS APPLY:

- more rapid learning can occur initially by concentrating on one area of capabilities, that suits particularly those possessing relevant know-how, is culturally appropriate, and build from there;
- locals and consultants usually believe that a community or region holds some competitive advantage in some attractions or environments (for instance in cultural tourism) and will connect those with specific development aspirations they hold;
such functional specialisation is likely to put less strain on the need to import outside capabilities and retain them locally so as to salvage a relatively intricate venture.

It is also possible for communities or regions to specialise with respect to the provision of factors of production and maintain a very indirect engagement with tourism. Some might hold a competitive advantage not implying direct involvement in tourism, but in terms of providing capital, land resources or specialist cultural/social knowledge assets of value to the broader development of the tourism sector.

The spatial dimension

The spatial nature of the strategic partnerships and tactical outlook driving tourism can also differ considerably across communities and regions. The motives to develop tourism can be community-specific (create local opportunities), can be regional (say to justify the costs of developing or maintaining regional infrastructure) or focussed on acquiring specific types of capabilities for the tourism system itself. This means that some communities or regions will have a grand vision for tourism involvement closely linked to the assets they possess while other will get involved because dispersed opportunities will appear attractive momentarily, or because there is government pressure to do so, especially when few development alternatives can be found. The outlook of such regions will, in various circumstances, be guided by connections with:

- the broader region, when a community is strategically located (spatially) along a key transport corridor, or near iconic attractions or holds facilities required for business development;
- some niche markets (and their intermediaries) when a community is closely associated with a resource or specialised capabilities needed for some activities;
- government departments providing services to a community or region and justifying the latter by the need to develop new business or industries such as tourism;
- specialised outside intermediaries providing key capabilities (potentially capital and access to markets).

If joint ventures have become a prevalent formula for IAT development, it is usually because the latter are believed to address issues linked with the division of capabilities.

The above suggest that various learning strategies will match the nature of existing partnerships and guide the approach to extending the division of knowledge. The section has suggested that regional or community orientations affect learning potential, and these orientations include elements of geographical positioning, capabilities positioning as well as their endowments in external relationships.

Regional configuration of capabilities for IAT—the micro considerations

The suitability of various forms of Indigenous tourism for Aboriginal economic development in remote communities must also involve some considered assessment of the capabilities available or existing in a community or region, those inferred to be needed locally and those available elsewhere. As was developed in Chapter 5, those conjectures must extend to considerations of their potential for future learning even if that dimension is more abstract than the mapping of immediate fit. This section will focus on basic aspects of that immediate mapping and assess arguments for and against types of IAT involvement in the context of learning potential.

The intangible and tacit nature of skills and know-how and their dispersion in the economy make the prospects of effortlessly recording and documenting them unlikely, forcing planners to rely on perceptual measurement and mapping. Other guiding tools exist in the form of technology audits in high-tech sectors, where strategies need to be devised to direct technological positioning. Such audits (or technology space maps) constitute established tactical tools aimed at comparing businesses, clusters or regions in terms of their technological growth (or learning) potential when the latter follow relatively predictable paths and the field of comparison is limited (De Wet 1992, Pretorius 2001). These allow assessing the impact of innovation policy changes on know-how flows (in and out) for specific areas attempting to build a technological edge in a specific sector. Overall, these methods apply particularly to sectors lead by supply-pushed technologies involving predictable research and development lifecycle processes, in contrast to services industries where novelty generally originates from the demand side.

These methods are moderately relevant to the present enquiry to the extent that they can contrast the dynamic competitive advantage of the entities compared (that is their learning potential) mainly in areas where the nature of competitive advantage is well established and assumed to be relatively foreseeable. In some ways, they display some similarity with familiar regional tourism audits, the latter featuring the more conventional elements
contributing to the tourism competitive advantage of regions. This usually includes resources classified according to their hierarchical domains, starting with a man-made/other division and extending into functional services and aspects of destination provided by the public and private sectors (natural environment, cultural resources, infrastructure, hospitality services, transportation, distribution, marketing, etc.).

Audits have been found to be especially useful when providing ways of ordering practically highly complex layers of technological competencies and related services developed by few regions, and involving comparable and usually oligopolistic industries (dominated by a few competitors) that can lead to mapping along a limited number of well understood attributes. This arguably makes tourism applications difficult to implement, especially when the following conditions apply to remote Australian tourism:

- many remote regions hold similar capabilities and resources which makes the set of potential competitors relatively large, despite documented demographic diversity;
- consumers of Aboriginal tourism experiences are unlikely to have strong preferences with respect to key attributes of the product, an empirically verified feature of Aboriginal culture products and destinations. While many tourists are interested in having some ‘experiences’ in that area—they do not displaying clear preferences towards specific cultural attributes of those products, but they might with respect to the context of consumption and level of service—see Tremblay and Pitterle 2008;
- external consumer knowledge and generic communication technologies drive a large proportion of innovations related to multi-part and services-intensive tourism products. Novelty in tourism stems simultaneously from demand-side adoption of innovations (external to tourism production) and from evolving technical innovations extending services particularly pertinent to tourism distribution (Tremblay 2001);
- a large proportion of the skills or know-how critical for sustained tourism success (at a destination, attraction or basic business level) is needed in short bursts and highly mobile. This implies that the skills based is unlikely to be retained and developed locally and is likely to be provided at arm’s length by government agencies, in more or less reliable ways.

Following the theme of this report, such attributes make the competitive advantage aspects of regional tourism insufficient. The learning potential considerations are also critical for the sake of choosing development strategies. The difficulties listed above are particularly relevant to remote communities or regions seeking to establish competitive advantage on the basis of Aboriginal culture for instance as they make the implementation of audits particularly hazardous, in part because of the possibility of relatively large proportions of capabilities being concentrated in a few individuals and/or exiting the community or region. Furthermore, it remains difficult to pinpoint which assessable forms of know-how would make a decisive difference in an audit context and the nature of the advantage created with respect to assumed consumer preferences.

Hence, the success of some IAT ventures often cited as ‘examples to follow’ might have limited applicability in alternative locations, because they do not offer ‘learning advantages’ or paths to knowledge growth that could be replicated somewhere else. The few well-documented cases pertaining to the IAT product arena have involved product concepts or situations recognised as successful mainly for the first-mover advantage theyexploited, usually related to the specific timing of the product development combined with location advantage. In most cases, the broader market place would not sustain a larger array of identical products as the value of the IAT venture was linked with its novelty as a socio-economic or cultural experiment and some amount of media hype created around it. Significantly, it remains unclear that community or regional capabilities have played a critical role in the start-up phase of some eminent IAT joint ventures which relied heavily on capabilities and capital provided by venture partners (and most likely much know-how supplied indirectly through State support). This suggests that a similar model could have easily been instigated anywhere to suit the visitor market, if the novelty aspect had applied there, and that it could really happen only once in a given format. For instance the success of the renown IAT attraction Tjapukai near Cairns in Queensland (which attracts largely mainstream tourists visiting a combination of regional attractions) has been directly attributed to its location, the moderate claims it makes with respect to ‘cultural authenticity’ as well as the clear-cut division of labour that has maintained the role of Aboriginal participants as actors and guides separated from the business aspects of the venture (Altman 1992, Dyer, Aberdeen and Schuler 2003, Tourism N.T. 2004).

The case of Gunya (near the remote location of Titjikala in central Australia), was quite different from the former example in most respects. In particular it targets a specialised overseas market valuing ‘exclusivity’ (focussed on high-yield and above average ‘interested’ customers for which there is a restricted market), possibly with the exclusive nature of the experience overshadowing the cultural attraction for some clients.
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Importantly, the venture retained a clear, place-based division of capabilities between services involving local community (and realistically limited skills) and intensive marketing/financial know-how and skills located inter-State and provided by a distant and partially benevolent organisation with the hope of producing economic rents that might be reinvested in a sequence of cottage industry ventures that would remain community-controlled (Evans 2007, Gunya Australia 2007). The latter supported desirable principles as far connecting market dynamics interaction with entrepreneurship is concerned, but cannot constitute a generic model accessible to most communities for its dependence on scarce resources and circumstances, in the form of compassionate suppliers of capital and the size of the market for very exclusive ($1300+ per night), limiting the opportunities for copycats and product differentiation. The most important consideration would have been whether the reinvestments of economic rents (if sustainable) could be explicitly redirected at the community (following the ‘Gunya model’) and could actually produce further division of knowledge or be absorbed by the need to continually revitalise the existing product, support public or community infrastructure and/or import those skills not found locally. At the scale of three tent-rooms, but with a substantial initial capital outlay and marketing capabilities situated away from the venture and community, it is difficult to assess the benefits in terms of meaningful local knowledge transfer. While the latter possibility is laudable in itself, the learning approach to development suggests that economic participation will be successful when the division of knowledge occurs autonomously and becomes driven by local and sovereign aspirations.

The examples above show the implications of ascertaining the role tourism can (or not) play in the supporting the overall community region-level potential for development and the types of considerations relating to the enlargement of the capabilities set that need to be examined. It would therefore be valuable for planning bodies (and indirectly for remote Aboriginal communities and regions) to jointly develop methods and tools (akin to audits of know-how and capabilities), if these types of models can be extended to account for those added circumstances already discussed:

- the fact that the economy is largely engineered by the government (or state-led) and capabilities might seem to exist locally but are transferred on terms decided centrally;
- the acknowledgment that many critical economic capabilities (even when found in community or region) are held within the public sector and funded as such, their deployment and possible extension is limited by the nature of bureaucratic supply and its internal logic;
- the realisation that in many instances there is the fundamental assumption of a potential economic base is problematic; that it is either absent, ill-defined or excessively narrow (as in the case of staple-based economies) and it is conceivable that almost no productive resources can be documented or defined (or that the customary economy is the only possible basis for land occupation);
- the broader generic and economic capabilities used to plan and support those places are themselves routinely imported from other regions (again using bureaucratic channels), and that those developed locally are often lost to the regions when individuals exit;
- the availability of basic capabilities to operate in the market and government domains is highly variable, and unequally distributed among community members in contrast to what can be found in the mainstream economy.

An elementary framework involving tourism-related capabilities is presented, which could serve as the basis for assessing a community or region’s learning potential through tourism. It must be accepted that there is an infinite number of ways in which the skill components themselves can be divided, configured into packages and dispersed within any given organisational system or unit (business, communities or regions), and that these configurations eventually define the distinct nature of those regional economies. Educational institutions (in particular those vocational) often undertake skills stocktaking and describe sequences of capabilities or actions in ways compatible with the industrial process and standardised professional requirements of various sectors. The amount of detail desirable and affordable for such descriptions depends essentially on:

- the proportion of tacit and codifiable know-how involved in the sector examined;
- the extent to which the sector examined can be conceived as made of processes and products that constitute standardised commodities;
- the extent of economic specialisation already occurring in the community or region examined.

To assess tourism development potential, it is critical to set the framework in terms not only of potential tourism success and sustainability, but also in terms of providing a knowledge growth path towards increased and dispersed capabilities. The following groupings constitute generic lists of types of know-how are commonly needed for the production of a range of potential tourism services and activities. Their relevance and availability
could be assessed at a community/region level (on the basis of place-based embeddedness) and eventually evaluated in terms of both their believed availability (or ease of access) and in terms of their differing potential to create economic rents that could be appropriated locally and transferred to be used in alternative sectors. The ordering below is arbitrary and could easily be reconstructed, but many of the examples and considerations associated with these groupings are expected to be of general relevance for ITA development in north Australia.

- **Generic business** skills (made up of know-how partly tacit and some partly transmittable through training and education; which ranges from operational aspects to compliance with government);
  - this is a well recognised concern for Aboriginal development documented in most government reports, although the those reports usually tend to simplify the nature of the know-how required as well as under-value the importance of their tacit transmission;
  - many such skills are, by definition highly valuable to communities for their transferability to other areas, but to be exploited and generate an economic surplus in tourism in the first place, they must combine with place-specific knowledge (of resources and channels), market-specific knowledge (tourist segments and their evolution) as well as technological know-how (technologies affecting tourist flows, need for on-site services as well as the likelihood of local spending and economic rent creation). It is usually believed that new business ventures in tourism are more challenging to instigate than realised by most communities. On the other hand, the potential for successful application of those general business skills in unrelated areas is significant.

- **Entrepreneurial** skills (largely tacit and transmitted through learning-by-doing)
  - The availability and level of entrepreneurial skills differ across communities and regions, and this constitutes a basic determinant of the distinctive short-term potential of various regions. Those high-level skills can be inward-orientated (focused on local opportunities and identification of services gaps valuable to locals) or outward-orientated (directed towards opportunities to exports goods or services from the community). What also differentiates communities or regions is the dispersion of those skills, involving in some communities clusters of Aboriginal and non-Aboriginal entrepreneurial talents and in other only few, possibly non-Aboriginal cultural gatekeepers, some of which are employed or supported by public sector agencies to advance local business interests. The potential to harness and deploy those skills when related to tourism depends to some extent on the amount of autonomy these agents of change have, in relation to their connections with community politics or government linkages. Those holding inward-oriented tourism entrepreneurial skills are likely to be in a good position to foster tourism-related entrepreneurial development taking advantage of locally under-used resources. Those holding outward-oriented entrepreneurial knowledge might be able to establish new connections with under-developed market segments;
  - Much existing entrepreneurial skills found in remote communities have developed in ways that reflect the distinct natural and cultural environments of those regions; which signals the relative value of home-grown know-how based on local knowledge in some locations, and situates entrepreneurs at the interface between local and external sources of industrial or market know-how. It also suggests the possibility that the entrepreneurial skills and outlooks developed in many remote communities are likely to be marked by a bureaucratic channels and will become excessively oriented towards finding ways of obtaining support from government, setting up projects so as to obtain public sector funding rather than kick-start new concepts or develop new markets. If the normal experience of remote Aboriginal communities across all industries, including tourism, has been historically entrenched with ‘doing business with government’ in remote environments, tourism entrepreneurship might be excessively directed towards learning from government rather than from experience.

- **Hospitality and related services** range in level of complexity and in their requirements; from very basic amenities (such as minimal campground facilities for self-sufficient travellers) to refined accommodation and food/beverages service configurations involving advanced skills. At the high end, their provision constitutes a specialised area of business development usually highly regulated and where standardised processes related to the quality and safety of delivery plays an important role. This is partly due to the perceived impacts that gaps between expectation and experience satisfaction can have on broader destination reputation. This creates inter-dependent externalities that have historically justified tourism public sector involvement at the destination level. This has historically led to the regulation of hospitality professional standards where a large proportion of the know-how associated
with these services is delivered through combinations of education and training (including significant in-house practical skills transfers) combined with on-the-job learning. Despite many programs encouraging them to do so (for instance in many large hotel chains), Aboriginal people located in remote communities have been particularly hesitant to engage in this form of employment requiring to obtain documented qualifications by investing in traditional hospitality skills through established channels. In contrast to other less developed regions, it is notable that no distinct Aboriginal hospitality know-how has developed to expand hospitality-related product concepts, configurations or styles distinct to Australian remote regions, although some emerging capabilities based on bush tucker are emerging in the culinary sector. A number of potential reasons can be suggested to explain the absence of distinctive Aboriginal skills development linked to hospitality:

- some social and cultural reasons are often suggested, related to ‘being shy’ or to lifestyle mismatch linked with the contrast of delivery conditions for such services and their own living conditions, in particular where housing degradation or poor quality is a serious issue;
- some linked to the transferability aspects of hospitality skills and the nature of career paths dominant in that sector, which in many cases are based on expectations of mobility across locations or corporate affiliations. The fact that in several regions hospitality skills can be imported (for a premium) and that the career paths on which they rest imply high mobility means that locals might face limitations not linked with entry, but with progression. It is possible that progress along the professional ladder in hospitality creates positive opportunities for those intending to be mobile, but also act as deterrents for those hoping to blend local and hospitality know-how, and make hospitality employment) less attractive as a way to build skills specialisation. This is not to say that other forms of cottage hospitality business could not thrive, if they took those considerations into account and were based on innovative business models;
- some linked to environmental and institutional constraints. Restrictive access to Aboriginal communities and regions means that access to accommodation and related services for non-tourists (such as business and government visitors which normally fuel occupancy rates and support product development) have themselves been limiting the market potential in those location. Also, many facilities are not administered in a market-like fashion, explaining further the notable absence of craft-type products and innovations, in contrast to the experience of less developed countries where cottage hospitality services dominate tourism development, are distinct across regions, embed expressions of local culture and often generate extensive local services development. In many less developed regions and countries, small-scale local hospitality has made use of available local skills and materials to generate further entrepreneurial potential, but they are not subjected to the same levels of regulation and compliance, which in Australia limits the potential for many product development forms. In the remote Aboriginal context, it is also relevant to note the lack of specific types of property rights, in particular those linked to access to country and to its resources and suggest that it might have played a role in preventing the emergence of local hospitality services to address temporary accommodation issues and the provision of related hospitality services, both of which can become regional attractions in themselves when successful. The potential for these types of services to play a role in economic development goes well beyond the development of the basic skills. In considering the development or regional markets and economies—where goods and services are produced and consumed within the region to foster inner growth—it is useful to consider the value of supporting services allowing greater interactions and communications, and the subsequent need for resident and attractive facilities and services.
- in a number of ways, the regulation of people movements into vast areas of ‘Aboriginal land’ (and the management of demand and access to communities for a number of purposes) is itself highly controlled by various bureaucracies and limit the potential profitability of hospitality businesses. To the significant seasonal constraints on people movements can be added government-fuelled projects, erratic political pressures and local political vagaries. This results in communities (and private interests) finding it excessively risky to develop hospitality infrastructure and related services, or to expect some control over market development, in particular if their intention is to be able to branch into non-tourist markets or related hospitality activities. This is why notorious examples of Aboriginal accommodation are either government-backed ventures located in protected areas where long-term leases have been signed, which includes private non-Aboriginal groups and Aboriginal-owned assets often controlled by the Commonwealth government through Indigenous Business corporations, such as IBA. Other examples have linked their profitability to the possibility of providing accommodation and hospitality services largely to non-tourist markets and depend on
Culture-based services and interpretation and favours local cultural learning, although tourist-consumers are not all equally competent at judging skills) and to some extent protected because much Aboriginal cultural know-how is tacit, difficult to imitate specially. These are of course limited by the extent of the market (for the products connected with these of the mainstream economy where know-how differentiation presents some general opportunities for market Tremblay 2009) based strictly on the ownership of Aboriginal distinctive skills apply readily in the context sharing aspects of contemporary Aboriginal life. Competitive advantage arguments (see Finlayson 1991, of cultural beliefs, participation in customary activities (harvesting, fishing, artistic expressions, etc.) or form of participation in tourism by commentators. Specific activities for tourists can involve interpretation in terms of catering, communications and emergency provision), insufficient access to some categories of infrastructure can create overwhelming operational barriers or costs. While markets differ in terms of expectations regarding such aspects as safety and degree of risk, it is difficult to presume a simple match between tourist types and required facilities. For instance, the control that would be needed for a community (or business with privileged access to a specific region) to limit access only to desirable tourist segments would be at best imperfect, and likely to create excessive administration demands in the longer run, as tourist demand would evolve. It is important to consider that:

- **Basic infrastructure services** must be considered critical components of the tourism product in remote regions; these include the full range of health, transport, safety services that make destinations and require assessment if Aboriginal individuals, businesses or communities considered building tourism capabilities. This is not to argue that all or even most types of Aboriginal involvement require that the full range of those aspects be considered, but that most of these types can constitute critical tourism enablers and can rarely be completely avoided. Even for tourism products conveying the least interactions and dependence on community services (for instance a short tour to a community where transportation and hospitality facilities and services are supplied by the tour and where the group is self-sufficient in terms of catering, communications and emergency provision), insufficient access to some infrastructure needs are perceived by the bureaucracy as an extra pressure on funding or services delivery. If this occurs in places where much of the infrastructure already exists (for the local population—police, fire emergency, medical emergency, etc.) and operates under minimum efficient scale, the addition of tourists can reduce the average cost of providing key facilities and services. If it were at all possible to charge visitors or tourism businesses accordingly (as for emergency services in some instances which offer to support tourism-dedicated emergency services on a fee basis) or to demonstrate that tourism activity warrants infrastructure maintenance through budgetary processes, this could be beneficial. Otherwise, it could put pressure on already inadequate services.

- **Culture-based services and interpretation** are generally accepted as a desirable area of expansion or a form of participation in tourism by commentators. Specific activities for tourists can involve interpretation of cultural beliefs, participation in customary activities (harvesting, fishing, artistic expressions, etc.) or sharing aspects of contemporary Aboriginal life. Competitive advantage arguments (see Finlayson 1991, Tremblay 2009) based strictly on the ownership of Aboriginal distinctive skills apply readily in the context of the mainstream economy where know-how differentiation presents some general opportunities for market specialisation. These are of course limited by the extent of the market (for the products connected with these skills) and to some extent protected because much Aboriginal cultural know-how is tacit, difficult to imitate and favours local cultural learning, although tourist-consumers are not all equally competent at judging...
THE CONTRIBUTION OF TOURISM TOWARDS ABORIGINAL ECONOMIC DEVELOPMENT: A Capabilities-based Perspective

quality and authenticity. Because tourists are not cultural experts, it is possible to underestimate the difficulties of marketing cultural knowledge and managing the interface between the social-cultural world and its economic realm even in the mainstream economy, given the fact that trading cultural products involves both commodification and market management that some individuals and communities might find difficult to reconcile. The context of remote (non-mainstream) economies is even more intricate, and the arguments for or against cultural tourism development more subtle, especially if the latter have little locational advantage. Supporting development policies focusing narrowly on forms of cultural tourism developments in the context of remote economies might be considered risky if:

- It is unclear whether the main markets for Aboriginal tourism products are likely to value remoteness per se or sufficiently. If main tourist markets are likely to be satisfied with the any Aboriginal products or experiences while visiting Australia or specific regions within it, then location will become a critical determinant of competitive advantage and play against remote locations in general, despite some market segments possibly valuing remoteness as such (especially if the ‘cultural’ is combined with the ‘eco’ of tourism). This is true even if some believe that geographical isolation can be connected with ‘authenticity’ in the consumer mind and can be marketed as such. There is a paradox in such a position. If tourist-consumers are sufficiently sophisticated, they will not use distance or isolation as a proxy for authenticity and for the assessment of quality Aboriginal products, rather they will make judgments based on the marketing (or third party evaluations) of the art, culture or interpretation experience offered. Such prospective tourist-consumers will soon discover that equally authentic Aboriginal experiences are indeed diverse, and can be found anywhere. On the other hand, for tourists incapable of evaluating these complex products (or unwilling to invest in the required knowledge), Aboriginal tourism products and experiences located closer to main tourist corridors or destinations (as opposed to truly remote ones) will have a definite competitive advantage due to the lower outlays needed. Again, this is not to argue that current visitors to the Australian outback regions do not value its remoteness as such, but rather that they do not necessarily distinguish Aboriginal cultural attributes from other aspects of the landscape, and that Aboriginal cultural aspects generally play an incidental role in attracting them (Jacobsen 2010, Tremblay 2008a).

- While the potential for Aboriginal communities and individuals to use and extend skills in the cultural sphere is considerable (due to already held know-how and cultural routines and their appreciation by those who hold them), the potential to branch out into profitable market capabilities might be limited, especially if the exploitation of cultural innovations is held back by cultural geographical isolation can be connected with ‘authenticity’ in the consumer mind and can be marketed as such, but rather that they do not necessarily distinguish Aboriginal cultural attributes from other aspects of the landscape, and that Aboriginal cultural aspects generally play an incidental role in attracting them (Jacobsen 2010, Tremblay 2008a).

- A long-term consideration associated with the multiple proposals to encourage Aboriginal people to limit their involvement to cultural tourism is the very real risk of seeing cultural capabilities-based development confining Aboriginal market capabilities to cultural know-how, re-enforcing a stereotypical division of skills, which could in turn prevent a broadening of aspirations. It has been argued that in the chapters above, that questions must be raised about the applicability of the conventional division of labour principles in remote contexts, where so few complementary market capabilities exist and know-how trading is by definition extremely limited (Tremblay 2009). Typical proposals to remedy that situation and to support business development consider joint ventures as ways to combine cultural and commercial skills. This notion is appealing as a short-term way to deal with the existing divide in knowledge, but joint ventures obviously replicate and might be deemed to entrench existing partitioning of cultural and business skills. While many such ventures explicitly encourage or anticipate long-term knowledge transfer objectives (as in Gunya discussed above), the expectation seems to be that percolation will take place and contact will lead to skills diffusion and local learning. While legitimate models exist that analyse the conditions for such transfers of know-how (for instance in Antonelli 1996), they inescapably involve some manifestation of market forces and incentives to extend that knowledge. These are usually linked to re-negotiated communications where knowledge-sharing arises from evolving or converging interpretations and aspirations. That is, the abstract ventures and economic contexts considered in the literature do not aim at maintaining a separation between knowledge spheres, but to open up an interactive dialogue where values can be confronted and convergence can result. Actual visions and proposals of cultural tourism ventures in remote Australia seem to aim at keeping Aboriginal participants away from the non-cultural forms of know-how, and to shelter them from genuine incentives to engage with market forces. Such approaches might be intended to also engage with formal skills transfer (engineered to involve education and training institutions), but the incentives to do so seem disconnected from individual choice and aspirations. If that was the case in the long run, such ventures would be unlikely to lead to sustainable localised/resident capabilities growth connected with evolving local aspirations, the latter constituting the condition for genuine Aboriginal economic development in remote regions.
Generic tourism services (tour organisation, operations, attractions development, etc.) include tourism functions connecting elements of the destination system that are not necessarily based on cultural assets and involve a mixture of local and external know-how. Basic tour operations for instance, rely on the access to connections with local land or traditional owners, art centres, communities, community resources, owners of facilities and accommodation, etc.) and also require a mixture of technical, market and networking capabilities not confined to the community or region. To that extent, they can constitute a promising basis for know-how development, as they bind the various skills necessary to operate most types of businesses. Individuals with prior experience in the various spheres of economic activity (customary, government and market) are often well positioned to undertake such roles, and provide opportunities for others to specialise and innovate. These generic functions can generate new business opportunities through their ability to create complementary activities (supported by collaborative transactions or exchanges) which in some cases can be extended to non-tourism markets. Some worthwhile models already exist:

- A variety of attraction-type tourism activities or developments can fuel regional communities or regions in that manner, although it is difficult to establish to which extent they offer further knowledge expansion potential. For instance events and festivals usually foster some recurring collaboration between the arts, community and tourism sectors which holds some community-grounded innovation potential and supports infrastructure development.
- It is useful to consider activities for which dedicated markets exist and where Aboriginal businesses or communities can offer advantages related to local knowledge, exclusive land access or complementary value such as tours or attractions based on fishing ventures, bird-watching, other gaming or adventure outdoors tours for market knowledge already exists, and are in position to foster joint ventures.
- The fine and more mainstream arts markets constitute another practical example, as many visitors to Aboriginal communities are driven by the desire to visit remote art centres in their local contexts, but are unsure (whether they are independent or group-based travellers) of the desirability of such visits (whether they are welcome in those communities), and whether they can contribute (through their expenditures) in ways that are ‘constructive’ and support local development. Aboriginal communities and the art centre managers they work with hold varied attitudes towards tourist markets and visitors as well as with respect to the desirability to expand community economic opportunities through commercial involvement (Tremblay 2010).

The same considerations apply with respect to the mechanics of know-how appropriation. These types of opportunities rely on joint ventures involving Aboriginal communities or individuals holding local knowledge, private tourism enterprises holding market knowledge and technology as well as bureaucracies supporting destination and infrastructure expansion. These are worthwhile as long as they don’t restrict resident Aboriginal know-how expansion nor provide disincentives for locals to be involved in the enlargement of strategic tourism market knowledge, the latter being the fundamental source of economic rents. Again, the requirement for economic progress through capabilities expansion is that eventually, opportunities can be found for resident capabilities to be exchanged and modified locally, and to be linked with local evolving aspirations.

Direct vertical linkages connected to tourism supply include upstream and downstream services, as identified in conventional value chain approaches to regional competitive advantage. The latter are usually driven by strategic imperatives and the perceived need to control sequential aspects of tourism production, including the upstream acquisition—and downstream control—of intermediate capabilities and delivery channels. These considerations relate to the knowledge growth approach because they support specific instances of the division of capabilities created by the appropriation of economic rents from vertical connections (the relatedness principle), a strategy which might accrue sustainable benefits if a given community or region holds unique and inimitable assets that provides them with sufficient bargaining power and scarce local resources. But it might offer rather limited benefits to communities or regions not extensively differentiated if the latter do not offer differentiated products and are not in a position to charge sufficiently high prices (to cover high remote production costs and disadvantages) as a strategy to fuel capabilities development. Further considerations include:

- The variety of forms of tourism development has been discussed, and it must be noted that it is difficult to generalise on the potential vertical linkages that can used to stimulate learning because of the sheer diversity of tourism functions that can be considered.
- The potential to develop upstream production locally varies greatly according to the community and to the specific tourism function considered. In general, functions that increase the demand for service types that already exist in the community will benefit, and tourism could provide a boost and lead to service differentiation. For example, businesses requiring to
operate vehicles (themselves requiring localised maintenance) and making use of local professional services can boost significantly the growth of capabilities in a remote region. This is particularly true when tourist demands (as well as the needs of tourism businesses) converge with those of the local population (or those of local incumbent businesses). For instance, upstream demands related to fuel, communication services, car repairs and servicing, other transport services, require minor adjustments to service visitors, and can create new opportunities for local entrepreneurs. But this would not extent to vertical integration in more specialised transport services or production of technical components. On the other hand, some requirements of tourists and locals might be quite different (for instance food and beverage in some cases) and the absence of similarities in both groups’ preferences might limit opportunities to learn, the knowledge of tourist needs residing with partners experienced in understanding distinct markets. On the other hand, small-scale attractions or tours that would benefit from catering and related services could develop or encourage skills development in those areas, if related market knowledge could be transferred.

- Downstream linkages in the context of tourism refer to distribution channels and can expand from the division of knowledge arising from a dense set of connections servicing highly differentiated types of visitors. The functions of wholesale and retail still play a role in the tourism system, but the number and diversity of possible configurations of distribution channels aimed at facilitating visitor choice and decisions can hide the fact that tourists undertake themselves many coordination and decision activities and are not necessarily consistent in the ways they use formal intermediaries and contemporary technological platforms. Those aspects are not usually given sufficient attention insofar as remote or Aboriginal regions are concerned, following the perceptions, erroneous or not, that Aboriginal businesses and communities are particularly disadvantaged in those domains. Yet, involvement in the latter would probably offer great potential for tourism and non-tourism learning extensions, given the transferability of many skills related to those sets of know-how.

It is pertinent to conclude this section by noting that much of the discussion above attempted to investigate the capacity of remote Aboriginal communities to take up various tourism-related functional activities on the basis of the pre-existence of required capabilities, and that it proceeded in a rather conventional manner by focusing on the application of the ‘similarity’ and ‘relatedness’ principles in remote-Aboriginal contexts. Yet, it was suggested in many instances that some learning involving aspects of market knowledge would be desirable, either because some of it could be extended to other (outside tourism) activities or industries, or because developing the ability to appropriate profits originating from tourism itself requires that remote Aboriginal economic participants invest in some key market knowledge assets. The latter would benefit from become an explicit goal of participation in the market economy and is discussed in greater detail in the next section.

**The market-making potential of tourism**

The previous section suggested that many models of tourism development for Aboriginal communities were based on formal or informal joint ventures with private sector partners, government agencies or with regional tourism associations and constituted an implicit division of knowledge in itself. In general, Aboriginal local knowledge useful for tourism is viewed as including commodifiable and sellable expressions of cultural knowledge of place, arts, access to natural resources, know-how linked with relationships stakeholders operating locally, or other valuable skills that could contribute to various forms of participation in tourism. In contrast, knowledge is either believed to be highly technical or linked with skills in connecting with partners external to the community or region is assumed to be best taken care of, or developed, by the non-Aboriginal partners. Sometimes this is done with the objective of eventually transferring these skills to Aboriginal partners, sometimes not.

The basic reasons for that division can be linked directly to Richardson’s (1972) similarity/relatedness principles combined with the view that Aboriginal partners will have a reasonable capacity to grow know-how if the latter is restricted to the current environment in which it exists. While the readiness of using current knowledge to develop familiar and similar know-how applications can not be denied, it is useful to evoke the literature of Chapter 5 to re-establish the context of a market economy, where local know-how is also linked with the observation of local potential opportunities to exchange, due to the pre-existing dispersion of both skills and aspirations. In other words, economic progress requires that mental connections (by entrepreneurs initially, but eventually by the majority of participants in the mainstream economy) be made between changing skills and modifying *wants or needs*—in the loose sense of managing external demands for goods or services that are
understood and lead to local opportunities.

As has been alerted recurrently above, many of the development models considered for business development (based on explicit joint ventures or not) create a wedge between partners. There is a real danger that Aboriginal collaborators become locked-out from market development capabilities and further delayed in their ability to develop ‘market know-how’. The latter know-how refers to a variety of skills pertaining to the identification, evaluation, development and ability to make potentially profitable connections between resources (natural and human) and the cognitive world of consumers, be they local, regional or external. The possibility of remote Aborigines being repeatedly excluded from that area might constitute a genuine barrier to economic development. The latter emanates in part from the overly narrow focus on generic skills development (often not undertaken in or involving a market context), and which is itself probably due to political discourse which associates markets with cultural devastation and tends to isolate and restrict the Aboriginal skill set (a view criticised in Chapter 4). If developing areas of strength for Aboriginal economic participation means sticking to the least disturbing, and least progressive areas of knowledge development, it is unlikely to support the long-term growth of knowledge in the sense expressed in Chapter 5.

Although most progressive joint ventures involving Aboriginal and non-Aboriginal partners encourage or envision (sometimes explicitly) some late process of know-how transfer, the latter might be narrow in scope, insufficiently embedded in learning-by-doing approaches and not critically subjected to post-evaluations. It is understood by evolutionary economists that the development of market know-how is based on trial and error learning, and is particularly difficult to formalise, audit or become expressed as a set of technical recipes. Taking into account such difficulties, the process of developing market-knowhow capabilities should be explicitly considered as a critical aspect necessary to support Aboriginal participation in the mainstream economy, and understood to constitute a particularly serious challenge for remote economies.

It is not sufficient to rely on benevolent partnerships and the hope that successful ventures will result in eventual transfers. It also suggests that the learning process sought by Aboriginal communities should not be restricted to employment-based learning and needs to incorporate a wide array of forms of economic participation. The short life of many Aboriginal business ventures (due to small business scale, difficult environments and erratic government funding and policies) can also result in joint ventures repeatedly offering employment for basic skills, but never delivering on the market know-how front, because the long-run never eventuates. Any partnership holds seeds for disagreement and it is in fact the purpose of collaboration to generate new ideas out of those diverging viewpoints. If a partner (or partner category) is consistently excluded from access to strategic assets (as the market know-how is argued to be), such collaboration will not support strategic learning, nor will it lead to many great discoveries related to unfulfilled needs or wants, given the separation that has been maintained. The productive clash between old constructs and new views of possibilities is necessary for the creative process.

The importance of markets as institutions is often misunderstood, despite the fact that it is linked directly with the process of division of knowledge. The general principle establishes that a certain amount of variety or diversity is needed to fuel innovativeness. This is in fact why urban environments have been largely theorised as supportive for thriving economies and seen as engines of progress for their creativity potential. The facts that individual demands are diverse, rapidly evolving and interacting with the variety of skills create a critical need for innovations and re-organisation of know-how. The progressive opening of communities (in the economic participation sense) should be correlated with economic progress, not because opening regions or communities will necessarily connect and trade with ever greater numbers of new partners per se, but rather because they will be subjected to absorbing increasing amounts of diversity (in terms of both skills and needs) and will need to develop the means and ability to manage that diversity. That is they will build capabilities (embodied in their citizens, governance institutions and businesses) to understand, evaluate and act upon greater amounts of exposure to market knowledge. The increasing number of potential partners involved in trade is, in that sense, a consequence rather than a cause of knowledge development.

In the institutional and evolutionary economics literatures, markets are more than the crude outcome epitomising many economic agents trading. They are conceptualised as institutions historically developed, and embedded in the social practices of various societies (Loasby 1991, 1999, Geertz 1978, Hodgson 1993, Potts 2000). Their development and degree of sophistication depends on the mechanisms by which they were instituted and the rules and routines they embody. Although they have become a symbol of capitalism and a mantra for some, markets as institutions are diverse in terms of their workings, and of course their extent and scope across mixed economies. In the case of Aboriginal communities, the local willingness to ‘open up’ and
have markets operating to allocate resources and capabilities is itself variable, and discourses related to the desirability to keep Aboriginal communities and regions from the mainstream economy (historically emanating from intellectuals and politicians located outside these communities) have been critically discussed in Chapter 4. This research takes a compromise on the readiness to engage in the market and takes midway position. It argues that many, but not all, communities are ready to ‘open up’ more—in the sense of participating in markets for ranges of capabilities, goods and services—but would necessarily do so cautiously, given their past overwhelming dependence on capabilities provided by the government sphere, their reliance on customary practices in some contexts, and the limited discretion local individuals have had with respect to use and development of tradable resources largely residing outside their control.

Few economists have examined the ingredients required for markets to develop from an evolutionary perspective, and none have done so with the explicit goal to ascertain ways that are advantageous to Aboriginal communities and regions. Casson (1982) has gone further than most by establishing a direct theoretical connection between the role of entrepreneurship and the activity of ‘market-making’. He has formulated a categorisation of activities linked with perceived barriers to enter into exchanges (see also Loasby’s 1999 analysis). These interpretations direct the attention towards the process of creation of market institutions, a process essential to the division of knowledge.

In such a construal, entrepreneurs are not mere technology discoverers (what Schumpeter 1934 emphasised) but mainly ‘makers of market’ and potentially shapers of social tastes (as Veblen 1899 highlighted). In that literature, markets themselves constitute institutional structures which channel processes and manage change, they provide relatively stable frameworks (although they evolve themselves) for the sorting and management of capabilities (Loasby 1999:124). Market capabilities refer therefore to tacit skills in making connections between diverse areas of technology and needs.

Casson (1982: 164) provides a relatively simple classification of obstacles to trade, and market-making activities corresponding to market-making activities The table below essentially reproduces his classification of abstract market-making activities:

<table>
<thead>
<tr>
<th>Obstacle to trade</th>
<th>Market-making activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>No contact between buyer and seller</td>
<td>Contact-making via search and advertisement</td>
</tr>
<tr>
<td>No knowledge of reciprocal wants</td>
<td>Specification of the trade and communication of the details to each party</td>
</tr>
<tr>
<td>No agreement over price</td>
<td>Negotiation</td>
</tr>
<tr>
<td>Need to exchange custody of goods and pay any taxes or tariffs due on the transaction</td>
<td>Transport and administration</td>
</tr>
<tr>
<td>No confidence that goods correspond to specification</td>
<td>Monitoring, that is screening of quality, metering of quantity, timing of instalments, observation of contingent events</td>
</tr>
<tr>
<td>No confidence that restitution will be made for defaults</td>
<td>Enforcement; reputation</td>
</tr>
</tbody>
</table>

The market activities above constitute highly valuable forms of tacit know-how for the objective of connecting aspirations and productive skills. In a general sense, all the sub-activities listed above feature specific types of entrepreneurial skills, many of which constitute necessities for the business toolset, and some constituting basic but essentially tacit skills to operate in the mainstream economy—which can not be learned without practice or direct exposure in a given sector. Understanding of tourism markets and their various segments cannot be learned in textbooks. Some of the know-how content involved in some of the market-making activities would clearly be sector- or industry- specific. Nevertheless, it remains an essential part of the argument that exposure to market-making know-how in a given industry is needed to foster skills that are partially transferable to other industries or sectors, and importantly, can lead to innovations particularly when know-how of one field is extended to other industries, sectors, products or applications. It is therefore important to consider the implications of the above market-making activities for the potential of tourism development in remote Aboriginal contexts.
Remote economies are essentially characterised by large numbers of missing markets, in the sense described by Casson (1982). His framework can be expanded to tourism development in remote economies by considering the following aspects:

Table 3: The missing markets view of remote Aboriginal economies—the potential of tourism

<table>
<thead>
<tr>
<th>Obstacle to trade</th>
<th>Relevance to remote economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>No contact between buyer and seller</td>
<td>Distance and isolation constitute a conventional attribute of remote economic geography; in terms of implications for market-making, mobility of producers and consumers becomes relevant—and tourism offers some potential given its partially itinerant consumer population, despite the distant origins of many potential markets.</td>
</tr>
<tr>
<td>No knowledge of reciprocal wants</td>
<td>The lack of exposure to tourists and their wants or needs constitutes a general barrier to remote tourism development. Tourist-consumer preferences are always quite complex and change relatively rapidly. They are known to be particularly difficult to gauge, predict or in some cases to manipulate. Tourism is therefore a difficult area from which to develop market knowledge for most new entrants, and is particularly difficult to digest for those without prior exposure to consumer psychology, behaviour or former practical experience in marketing. But the willingness of tourists to travel to Aboriginal communities and spend on various goods and services provides an opportunity for remote residents to learn about mainstream consumer needs that should not be under-estimated. The lack of knowledge (and research) on Aboriginal consumers, and their potential as intra-regional tourists could also become significant in efforts to create local economies.</td>
</tr>
</tbody>
</table>
| No agreement over price | Lack of agreement applies more readily to certain types of commodities than others. Tourism constitutes particularly difficult grounds for price-setting due to:  
  - the involvement of consumers with unequal knowledge of economic/market conditions and with hazy expectations regarding local values and prices  
  - the inability of one-off tourist-consumers to be significantly affected by the price premium associated with remoteness—and the risk that much remote business will be undermined by non-remote offers, the quality of which consumers are unable to gauge  
  - the volatile and diverse nature of conjectures about future products by those demanding or supplying current ones, which is a condition of remote production and of tourism production (Tremblay 1997)  
  - the nature of tourists’ motivations, which is embedded in cultural and social mores and connected with intangible aspects of cultural and political development (Hollinshead 2007)  
  - the large services component of tourism products, which involve many levels of direct interactions and simultaneity of delivery and consumption, difficult to gauge quality, as well as challenges for the sake of standardisation and commodification  
  - the complexity of the tourism product specification, the difficulties inherent in synchronising payment and supply, the intricacies involved in tourism services metering (of quality) or in gauging custody (in a delivery sense) create difficulties affecting all the obstacles below |
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<table>
<thead>
<tr>
<th>Obstacle to trade</th>
<th>Relevance to remote economies</th>
</tr>
</thead>
</table>
| Need to exchange custody of goods and pay any taxes or tariffs due on the transaction | A priori, there would seem to be little reason for tourism transactions to be more problematic in remote than in mainstream environments with respect to custody issues, although it could be the case if:  
  - government services and compliance is less well administered in remote environments  
  - tourism services are subject to more complex taxes (as they are in some regions of the world)  
  - it is possible that the complexity of tourism commodity amalgams make some areas of compliance particularly complex. It might then be suggested that tourism is not an ideal learning ground from that viewpoint. If transfer of tourism products difficult because subject to flexible and multi-mode delivery (can be purchased and bundled by consumers, can be purchases as a package, can involve multiple layers of intermediaries with complex transactions between them, etc.), then this increases know-how requirements and explains why some communities involved in tourism only want one form of tourism product packaging, usually handled by gatekeepers. |
| No confidence that goods correspond to specification                              | As per above, this is a generic issue and problem for tourism commodities (due to services amalgam), and can be exacerbated in remote contexts because of:  
  - Volatility of remote conditions, makes it difficult to ascertain whether bad experiences (due to natural circumstances, volatile delivery, cultural reasons, etc.) affect the ability for consumers and producers to make judgments about product, in particular services, specification and delivery;  
  - Cultural distance inherent in tourism, and potentially enhanced in contexts of Aboriginal involvement, can also contribute to perceptual differences in the assessment of product specification, cultural standards and acceptable delivery realisation.  
  - The indispensable services component of common tourism products also contributes directly to difficulties of assessment in that area, that generally lead to familiar institutions dealing with such aspects—in particular warranties and market reputation. But it is possible that these institutions are less effective in remote environments. Warranties might be more difficult to implement and reputation more difficult to effectively communicate creating further challenges for would-be Aboriginal businesses not familiar with their limitations. The reputation aspect itself is often dependent on experience in communicating one’s intentions through networks of producers, and depends on well established familiarity with the market.  
  - Market know-how includes elements of familiarity with delivery and quality options (and the nature of acceptable deviations and risks in the services context), of acceptable controls and means to redress such situations (including legal redress and compensation), and knowledge of these mechanisms and institutions is needed to operate in any commercial environment. In tourism, multiple sub-contracting arrangements (for instance for a tour operator using facilities and services either rented or contracted) make that area potentially complex (given the looseness of contracts), but also potentially fertile as a learning ground, given the local nature of some of the contracts. |
Obstacle to trade | Relevance to remote economies
--- | ---
No confidence that restitution will be made for defaults | The potential perception by consumers that remote areas creates further obstacles that must be dealt with by market-makers could arise from any of the following considerations:
- The physical distance between producers and consumers increases the barriers to restitution;
- The short life of small businesses, cultural distance, the high staff turnover might contribute to perceptions of higher risk;
- The possible perception that clear responsibility might be lacking for some Aboriginal businesses (because of lack of inadequate reputation institutions and absence of clearly specified property rights arising particularly when a business is run by a community rather than an individual, when it involves public sector funding, or composite partnerships). This might contribute to perceptions that restitution will be more difficult if problems arise and consumers seek restitution or compensation;
- The nature of tourism services is once again problematic as a simple exchange of product is rarely possible as a form of restitution. The one-off nature of much tourism consumption implies that, in general, a missed or unsatisfactory experience cannot just be replaced by a new one and therefore that unsatisfied customers usually seek monetary compensation.

The table above suggests many significant challenges and some opportunities for Aboriginal communities initiating some engagement in tourism production and seeking to invest themselves in growing market knowledge to identify local opportunities. For remote communities holding little pre-existing market knowledge or even business know-how, it is likely to be the case that tourism is not the ideal start-up ground to foster market skills, or that much of this know-how will need to be imported. Tourism constitutes an excessively complex area of initiation for the sake of building up those preliminary skills (noting again that the argument was set for remote context and does not necessarily apply in more mainstream environments such as rural economies well serviced with infrastructure and marketing know-how). This is not necessarily the case for those regions already exposed to some tourism (with or without an Indigenous orientation), potentially benefiting from extensive public sector support and hoping to capitalise on entrepreneurial development to effect a transition towards the mainstream economy. In those conditions, tourism can offer a great variety of learning contexts which could prove valuable, especially if there is a match between the market know-how pre-existing in those regions, in terms of the types and origins of tourists considered as well as the nature of resources, and the potential development and sectoral extensions opened to specific communities.

The capabilities approach explored in this research project proves again useful in setting up an agenda which involves understanding not only how remote Aboriginal businesses or communities learn, but also how they can direct or shape consumer learning, a critical aspect less emphasised by Casson. The role of market-making activities is extended in Loasby’s (1999:125–7) Marshallian assessment to consider how interactions between consumers and producers made possible by market institutions generate ‘variety’ and new ideas. Given the limited proficiency of mainstream tourist markets to conceptualise their own needs and motivations to experience Aboriginal culture (see Tremblay 2007), the viability of private investments in IAT activities requires significant involvement in developing market interest (which is usually partially undertaken by governments marketing agencies focuses on selling the general concept). In the precise case of IAT development in remote regions, this constitutes a further, critical argument to connect directly local knowledge of distinct production conditions with the management of market capabilities. Resident businesses and communities themselves must develop local know-how to assist and shape ‘consumer learning’, an aspect often overlooked but constituting a critical component of the division of knowledge. New products and experiences (particularly in the area of services and cultural industries) arise out of those twin investment by tourism entrepreneurs contemplating the evolution of producer and consumer know-how, and no market development process can afford to leave any of these areas of capabilities development entirely to bureaucratic supply.
Involvement in tourism unavoidably implies that not only participants in the IAT sector must learn, but also that tourists as well as mainstream tourism industry and government organisations involved must be brought into a purposeful learning process. It might well be the case that tourism destination agencies need to modify their usual focus, for instance regarding strict policies of quality measurement, when they facilitate IAT and extend their outlook towards experimental policies and support for local entrepreneurship. While much thinking about IAT opportunities in remote regions has, by necessity, focussed on developing niche markets for consumers holding pre-existing interest in Aboriginal culture or environments (including culture-based, arts and crafts-based, festivals, wildlife consumption or observation niches, etc.), the emergence of genuinely new product forms and market innovations that would prove economically sustainable requires that locally developed market know-how arises from Aboriginal businesses and communities themselves.

The role of government in such contexts should shift towards supporting local entrepreneurial efforts guided by capabilities development and market know-how development. Of course, the bureaucracy can play an significant role in accelerating learning and building competitive advantage by facilitating the acquisition of skills and know-how through import, trade or organisational amalgamation. But this should be undertaken with the view to combine the latter capabilities with resident know-how, so as to provide a locally embedded outlook on desirable market developments rather than maintaining a partition, as often seems the case when concerned about tensions. The government’s role must focus on modifying the institutional context to support localised learning (Pelikan 2003) and support institutions addressing the obstacles listed above (reputation, external monitoring and sanctions) as well as enhance basic human capabilities, as is well understood.

Ultimately, developing market know-how is essential to the argument of this report because assessing the IAT sector development potential involves the considering whether capabilities to enhance tourism market-making. It is also a critical component of the evaluation of tourism’s potential as a sector capable of assisting development alternative market capabilities, in different contexts and forms. Although this aspect is often overlooked, it is through the development of market know-how that tourism can help most, and also entails its greatest challenges. For the sake of developing the IAT sector in particular, it is essential to consider whether the market know-how acquired through tourism in specific locations can be transferred, for the sake of supporting further learning with respect to:

- other activities or industries where markets development, preferences, learning share some attributes with tourism;
- the regional expansion of existing markets found in remote regions. While Newhouse (2004) suggested (in section 6.1) that this usually involves a centrifugal movement (from local markets to external ones), this might not be necessarily the case in remote Australian economies. Opportunities might rather exist in attempting to forge intra-regional exchanges and linkages (potentially intra- and inter- community) to develop a viable regional economy, which suggests a major role for distribution channels in allowing regional (market) know-how to be developed.

By the arguments of this research, the long history of centralised and government-supplied tourism marketing in parts of remote regions in northern Australia and the reliance on publicly funded investments in standardised marketing messages and communications is likely to have resulted in excessive influence and control of market know-how by the ‘tourism bureaucracy’, for instance in terms of the production, analysis and interpretation of tourism market data and research by destinations, where the public sector provides and the private sector is a client. This generalised situation in some regions and constituencies might represent in the long-run one of the most significant obstacles to decentralised learning, and would particularly affect remote IAT potential and prosperity, because the latter must deal with an amazingly large number of such bureaucratic layers connected with all aspects of social and economic welfare. A widespread movement towards some strategic and progressive decentralisation of tourism market know-how and competencies in the relevant jurisdictions of northern Australia will be required before small remote communities and individuals can truly benefit from tourism to contribute towards economic development. Only when a broad understanding by destination agencies, businesses, Aboriginal stakeholders and regional tourism players of the necessity for this shift will it possible for remote Aboriginal communities to consider tourism as mechanism allowing the development of new and worthy economic capabilities allowing remote region residents to take over their own economies and achieve distinctive aspirations entrenched in their regions.
Conclusion—Aboriginal tourism development—from readiness to fitness

Despite ongoing and sizeable attempts at providing comprehensive support for IAT in some remote regions, approaches to assess IAT proposals or potential investments have never been formalised or specified beyond statements about the desirability of Aboriginal participation in tourism, in terms of benefits for the tourism system (in desperate need for IAT products) and the potential employment and cash benefits for individuals in Aboriginal contexts. From the literature on the approach taken in remote regions, and from Northern Territory stakeholders’ descriptions of the general procedure, the typical process usually involves two basic elements:

- An assessment of the business proposal based on financial soundness and quality of the business plan. These can be undertaken (and often are publicly funded) by consultants or organisations such as Indigenous Business Australia (IBA) offering expertise in those areas.

- Some measure of ‘readiness’ usually based on a product evaluation which ascertains whether various tourism-related are ‘market-ready’, in terms of usual business criteria, as well as regional opportunities and available support, and in terms of infrastructure development. Although the ultimate nature of the assessment can vary and processes are never precisely or formally defined, such assessment usually considers the fit of the IAT business proposal with existing tourism priorities of the regional and broader destinations (themselves expressed in the strategies, directions or marketing plan of its representative agency).

As with any such complex decision, flexibility is needed in assessing business proposals and requests for assistance, and both agencies and proposing parties must adjust to changing circumstances. But the nature of the approach suggests that the allocation of assistance has taken in the past a top-down view of economic development insofar as support for local projects or ventures has been mainly driven by the need to conform with state tourism plans and their regional extensions, including the interpretation of data and market research, as well as potential markets, by the central destination agency.

Agencies providing funding for economic development (of a regional nature, or of an Aboriginal nature—both exist in the Northern Territory for instance) take a more generic business development approach in contrast and focus on narrower notion of ‘business readiness’ which reflects the adoption of ‘best practices’ related to business processes. These usually involve various government agencies attempting to uplift business skills by providing certification, training and education, as well as other incentives such as special awards based on evaluation of such criteria in the case of tourism. While such practices generally aim at supporting small businesses in particular and fit the general agenda of supporting business know-how, they can hypothetically also force excessive standardisation of internal processes and be detrimental to innovation in aspects of business development that would be suitable for Aboriginal contexts. What is sure is that those approaches stop short from directly addressing and supporting learning (or capabilities development) in remote regions, which require a different framework and distinct competencies not found within tourism destination bureaucracies as such.

The claims made in this chapter suggested that there is a need to shift from a ‘market-ready’ (or ‘business-ready’) view to redirect towards readiness to act and keep on learning. From an agency assessment viewpoint, the evaluation of projects should include conventional aspects of evaluation (including suitability with tourism plans and business soundness) as well as extend towards assessing the learning or capabilities potential aspects emanating from proposals, and their overall ‘fit’ with each other. That is, the assessment of tourism development proposals in remote Aboriginal contexts should examine the fit between:

- The narrow business proposal and the capabilities required to implement it in the short-run;
- The capabilities already available, easily importable and those likely to grow and develop organically in a community or region;
- The future demands for capabilities that could be generated if the proposal was to be sustainable in the longer run, and the context of alternative industries (and competition) for capabilities inside and outside the region.

To a certain extent, the notion of ‘absorptive capacity’ (developed by Cohen & Levinthal 1990) to business organisations provides a conceptual formulation for the required model. Absorptive capacity in their analysis of industrial competition between firms caught in technological races refers to the ability of businesses to learn by interpreting, exploiting and making use of newly imported external capabilities. It is a measure of readiness in the learning sense as it refers to the possession of general economic capabilities (say of a generic business and market nature) to attract, grasp and take up new-external technological know-how, through a demonstrated
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competency to learn and develop further. In the context of the firm, it depends on individual capabilities to learn, as well as organisational and institutional investments to facilitate ongoing learning. Cohen & Levinthal (1990) explicitly emphasise the balance between internal and external learning for business firms in a way quite similar to Loasby’s (1991) trade-off between coherence and flexibility applied to broad economic systems. The application of that concept to remote economic development suggests a framework based on regional absorptive capacity. The latter would require a sophisticated assessment of the learning potential of alternative businesses, communities or regions, and must be based on comparisons with competing or substitute entities.

While market forces must in the end play a significant role in determining the allocation of knowledge growth, the allocation of resources aimed at supporting development (and the choices that must be made between tourism projects or options) must be guided by such complex principles. Individuals must hold tacit experience of the nature of competition for skills and know-how, while planning authorities must develop competencies in articulating learning strategies with the view to allow distinct regions to invest in the capabilities they choose. This study has claimed that there is a need to examine the fit between:

- economic capabilities held in the community/region (relative to others), including tourism and non-tourism;
- ease of access to and ability to retain capabilities not held in community or region;
- positioning of the tourism project or region in the context of the broader destination;
- likelihood to locally appropriate economic rents can be generated from learning and that they will contribute and drive future local aspirations;
- potential for market knowledge development in tourism and transferability to other industries and to other neighbouring areas (relative to others);
- potential for technical capabilities developed in tourism to create further local division of skills and for those to transfer to other sectors in the local economy.

The concept of absorptive capacity of communities or regions formulated above embodies the notion of balanced learning in rapidly changing environments and places technological and market capabilities at the centre of the analysis. These are construed as constituting the building blocks of remote development efforts, and that the potential of tourism to assist economic progress will depend on the fit between the growth of the regional tourism system and the development paths chosen by remote Aboriginal communities.
Chapter 7

FINAL SUMMARY

The aim of this project was essentially to address the lack of theoretical development in the joint areas of Economic regional development (as applicable to remote Australian contexts) and Aboriginal involvement in tourism. The report by Tremblay and Wegner (2009a) had identified issues and contradictions emanating from past STCRC efforts in that area, and recognised specific problems linked with:

- vagueness regarding the connection between tourism and economic development of Aboriginal people;
- Regional differences as to the nature of challenges for Aboriginal involvement in tourism, and with respect to the identification of priorities;
- disagreements on the appropriateness of, and willingness to place economic development at the centre of Indigenous participation in tourism by some researchers or commentators;
- lack of conceptual research and limited coherence with respect to:
  - the nature of ‘economic participation’ for Aboriginal Australians—beyond employment aspects, business creation aspects, and availability of ‘cash’;
  - the relative value or fit between tourism and plausible economic development objectives;
  - the ambiguous connection between economic development and cultural sovereignty or aspirations.

Simultaneously, difficulties encountered by northern Australian tourism agencies responsible for providing advice about tourism development and allocating support resources for dispersed ventures and business proposals triggered the interest in the questions addressed in this report. Agencies were known to struggle with the vastness of the challenges they faced, and the absence of frameworks or conceptual tools capable of supporting them.

The project was therefore designed as a conceptual foray into the general issues mentioned above, and driven by the belief that the lack of conceptual work and theoretical progress identified (despite multiple and diverse investments in various applied and case study research on IAT) had become one of the critical obstacles to advancing research and development in the field of Indigenous tourism. While the goal of addressing broader theoretical discourse and academic issues constituted an ambitious and risky angle to be taken on such a politically sensitive topic, it was also out of character in terms of the types of research investments supported historically by STCRC. Yet, a discourse analysis (including literature reviews and conceptual critiques) allowed to overcome excessively place-specific research dilemmas, but also created distinct challenges in forcing the analysis to stretch far beyond the typical realm of tourism research. At the end, the topics covered were strictly delimited by the nature of the issues raised.

To examine the role of tourism in Aboriginal economic development, in the context of remote regions with limited economic base, a number of disparate steps were needed. After setting the agenda of the research, Chapter 3 included a brief review of past research related to the IAT sector to summarise the abundant and complex issues pertaining to the topic, which had arguably never successfully been integrated or constructed as a coherent set of ideas or research priorities. It was argued that part of the difficulties lied with the absence of connections between tourism dynamics and contemporary discourse about Aboriginal development. It noted that the majority of policy and academic contributions seemed to take for granted the objective of supporting Aboriginal participation in the mainstream economy, but in general took different viewpoints on its interpretation. They either argued, sensibly given those premises, that any tourism ‘job’ is better than no job. Or alternatively, they shifted the focus on cultural risks and integrity and raised concerns about tourism impacts, sometimes altogether unreservedly resisting the objective of economic development akin to an overarching goal of preventing cultural assimilation. Irrespective of given simplistic positions regarding the role and desirability of economic development in remote Aboriginal contexts, most research did not address the characterisation and rationale for participation in the economy.

Within the tourism literature itself, it is often unclear whether and how the latter is defended, or criticised, on a number of possible ideological grounds. Conflicting viewpoints on the prospects for participation in tourism (discussed in Chapter 3) presented relatively arbitrary and short-sighted arguments in general disconnected from
greater debates on regional economic development and on the role of economic choice in shaping Aboriginal aspirations. The complexity of the topic does not only entail the tension between views of economy, culture and society, but also extends to the absence of unifying theoretical frameworks making sense of the various economic spheres connecting and shaping Indigenous lives, the heterogeneity of Australian Aboriginal circumstances and the need to distinguish between those living mainstream lives or in remote conditions as such. These combined difficulties prevent the adoption of simplistic views regarding the types of economic activities that are suitable for Aboriginal development. This is why Chapter 3 reiterated that IAT research has been characterised by:

- its inability to create a agenda of priorities;
- its methodological, disciplinary and conceptual diversity;
- a focus on embedded cases concentrating on distinct businesses, communities, landscapes or institutions usually displaying the contradictions and tensions in those contexts.

As judged by the abundance of government reports on the broad topic, the issue of Aboriginal economic participation is vital and of National significance. The absence of a conceptual structure or set of basic principles, to build an evaluation framework to assess tourism is in that sense a research priority. This is the context in which a detailed consideration of the substance of Indigenous development discourse in Australia and its relationship to various contexts of Aboriginal life became an essential component of the research. Chapter 4 undertook to review some eminent formulations of Aboriginal economic development in an attempt to frame a position that would guide the remainder of this report. It first noted a general agreement on the empirical expression of the situation (the existence of significant gaps that can be connected with economic disadvantage) and also identified the existence of a number of essentially incompatible, often conflicting key views, including on the interpretation of those gaps and the desirability to see them drive policy.

Based on the analysis of contemporary discourse of Aboriginal development, Chapter 4 attempted to extract an intellectual compromise or position on remote Aboriginal economic development by making claims about the need to focus on the nature of choice and individual decisions in the process of development, as well as the importance of processes allowing to form aspirations that match their development potential (economic and cultural). This led to a discussion of the conditions under which such choice can be exercised, noting the already constrained choices facing remote Aborigines due in part to the overwhelming incidence of government presence, in the sense of dominance in the management and governance of remote Aboriginal lives.

To trim down the arguments developed, the chapter narrowed its geographical and contextual scope to northern remote Australian regions, which allowed focussing on communities and individuals living away from the mainstream economy. This emphasised the particular challenges involved in fostering the twin components, economic development and cultural sovereignty, in an environment where the opportunities to participate (in the regional) were limited. A paradox arises from researchers being overly alarmed about ill-specified market economy impacts on Aboriginal culture in an economic context in which extensive, not to say most, aspects of Aboriginal economic life are utterly shaped by more or less distant government agencies and bureaucracies. This raised further question going beyond the likelihood that bureaucratic paternalism sheltering Aborigines from market forces creates insidious impacts, by preventing them to becoming competent as participants in the market process and experiencing its institutions. Chapter 4 ultimately considered the factors affecting the ability of Aboriginal people to develop the means for greater economic autonomy, as a condition for political and cultural revival, while recognising the limited connections existing at present between their life experiences and the more or less distant mainstream economy. The latter partially dictates the nature of economic environments and funds the welfare (and other bureaucratic) apparatus on which many remote Aboriginal lives of late have been dependent, which can be interpreted both a safety measure for a transition, and as a main cause of contemporary adversity.

Chapter 5, subsequently, focussed on theoretical issues and alternative views of economic development pertaining to the contemporary economic theory. It selected and elaborated a distinct set of perspectives addressing economic development and providing answers to the representation of the issues described in Chapter 4. The growth of knowledge approach to economic growth was found to be compatible with the formulation of the economic development process by classical economists, on methodological grounds and with respect to its general outlook on learning and the development of economic capabilities. That chapter undertook to present a coherent framework addressing a number of very complex challenges connected with aspects of know-how and skills in the context of Aboriginal economic growth and self-determination. The latter emphasised individual choices occurring through individual investments in those capabilities in a context of incomplete knowledge and
the mechanisms used to deal with genuine uncertainty. This provided a fresh position to discuss the tension between market and government institutions in shaping those choices related to learning, and the accumulation of know-how in contexts of missing markets.

Chapter 6 used the conceptual tools provided by Chapter 5 and attempted to develop a coherent interpretation of the potential of tourism in the context of the attributes of the Aboriginal remote economy (itself discussed in Chapter 4) and the objectives of development in a learning economy). The theoretical principles discussed and the preliminary framework aim at providing guidance to the question of how to assess tourism development proposals in the context of capabilities development objectives and focus on the fit between capabilities found in the economic environment and the potential to absorb them and put them to use. Those principles should assist agencies or tourism stakeholders attempting to articulate place-specific blueprints for tourism-based development and assess the fit between regional development objectives, Aboriginal economic and cultural aspirations and the nature of economic capabilities to be supported to achieve economic progress in those contexts.
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AUTHOR

Associate Professor Pascal Tremblay

Pascal Tremblay is the Chair of Tourism at Charles Darwin University, and is located in the School for Social and Policy Research. His research interests include aspects of tourism industrial organisation and innovation systems, wildlife tourism, Indigenous or Aboriginal tourism, destination management and marketing in remote contexts, as well as the economic management of parks and natural areas.

Email: pascal.tremblay@cdu.edu.au
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Telephone: +61 7 5552 8172 Facsimile: +61 7 5552 8171
Website: www.crctourism.com.au
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