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Sustainability, Aid, and Material Welfare in Small South Pacific Island Economies, 1900–90

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Summary. — The paper discusses the concept of "sustainability" and puts forward the argument that conventional notions of what constitutes economic development cannot be applied mechanistically to the very small island economies of the Pacific. In practice, what matters is whether the entitlement of island communities to rent incomes remains sustainable. This in turn requires that labor access to the modern capitalist economies of the region continues or is opened up and that the major regional powers continue to subsidize consumption levels in the small island countries unless or until those countries achieve a satisfactory level of rent income. Both of these conditions hinge upon the long-run political commitment of aid-donor governments to the welfare of island communities and on the skills of island politicians and officials in negotiating and maneuvering for access to aid funds from competing donors.

1. INTRODUCTION

The recent revival of interest in sustainability as a component of development is welcome for several reasons. One is that the new perspective provides a timely corrective to the past decade's focus on short-run stabilization problems. A second is that global environmental problems such as ozone depletion and the greenhouse effect are likely to lie at the center of the new diplomacy of the 1990s, and developing countries stand to benefit substantially from the negotiations on these issues (Bertram, Stephens and Wallace, 1990; Bertram, 1991). A third is that sustainability analysis draws our attention back to the real long-run fundamentals of development: resource endowments, income and trade entitlements, productivity, technological progress, social structures and institutions.

As with all fashionable new words, however, "sustainability" can mean different things to different people. In some contexts it is treated as synonymous simply with environmental conservation. In others it is used in relation to particular aspects of development. Some economists, for example, focus upon the concept of self-sustaining growth and accumulation, in the "bootstraps" sense of an economy generating internally the productive requirements for expanded reproduction through time. The "sustainability" of such growth is then determined by the feasibility of continuing the accumulation process, whatever the social, cultural or environmental consequences. Sociologists and anthropologists tend to focus more on the maintenance and evolution of social networks and cohesion in the course of development; political scientists may be concerned with the maintenance of legitimacy for particular institutional forms such as democracy. A useful recent discussion and definition of the concept is provided by Pearce, Barbier and Markandya (1990, pp. 2–3):

> We take development to be a vector of desirable social objectives; that is, it is a list of attributes which society seeks to achieve or maximize . . . Sustainable development is then a situation in which the development vector D does not decrease over time . . . [S]uch a simple definition . . . does [not] tell us if the rate of change of D with respect to time t must be positive for each and every time period (which we might call strong sustainability), or whether only the trend of $^{dD}/_{dt}$ must be positive (weak sustainability). One variant of the weak sustainability measure is that the present value of development benefits should be positive. . . .
> [We] suggest that sustainability be defined as the general requirement that a vector of development characteristics be nondecreasing over time, where the elements to be included in the vector are open to ethical debate and where the relevant time horizon for practical decision making is similarly indeterminate outside of agreement on intergenerational objectives.

The elements which Pearce, Barbier and Markandya include in their suggested development vector (1990, p. 2) are real income per capita, health and nutritional status, educational achievement, access to resources, equity in income distribution, and basic freedoms. As they point out (1990, p. 4) the conservation of resources and the natural environment is not an element of the vector as such, but rather a necessary condition for achieving either strongly or weakly sustainable development.

The development experience of small island economies allows us to explore some aspects of sustainability understood in this broad sense. Many outside observers of these very small, very open economies have suggested that sustainable development is not a feasible option, in the sense that no conceivable degree of accelerated resource utilization could permit domestic product to reach levels consistent with actual standards of material welfare, let alone future aspirations. (For a survey see Connell, 1988.)

To such observers, development qualifies as "sustainable" only if its achievements are underpinned by productive activity within the territorial boundaries of the island economy itself. The counterproposition that I shall offer in this paper is that small island development achievements are sustainable so long as the indigenous people wherever they reside, retain a set of entitlements sufficient to support material welfare standards over the foreseeable future, while preserving or enhancing their collective identity and the natural environment of their home territory. Sustainability in this context depends more on international political and social variables, than on physical and ecological ones. Too close a focus on the physical side, and not enough on the political, is what leads many observers to an inaccurate perception of "fragility" in island societies and economies that are in fact remarkably robust under the international conditions of the late 20th century.

One of the ironies that arises from such perceptions is the repeated advice to island governments to pursue so-called self-reliance, as though this were a necessary condition for economic sustainability, even when a drive for such self-reliance is environmentally, socially and culturally unsustainable. Self-reliance as usually understood may be sufficient, but is not necessary, in determining economic sustainability. There are viable paths to modernity and welfare that do not rely upon a repetition of the European large-country model of industrialization and primitive accumulation.

Most standard development models certainly take as their starting point the supposed closed-economy basis of European takeoffs, adding on open economy elements such as trade, capital flows, migration, and exposure to world prices, as modifications to the basic scheme. But for very small, very open systems, the entire modeling exercise needs to begin from open-economy assumptions, and the aims of policy should be to capitalize on the advantages of extreme openness, rather than trying to force the domestic (i.e. territorially bounded) economy into a procrustean mold of self-reliance and "bootstraps" development.

Most development plans produced for small island countries place self-reliance (or at least progress toward it) at their rhetorical center, with the issues of international migration, entitlements and resource flows relegated to apparently peripheral status. Provided that it is understood that the reason for writing the plan is to provide attractive window dressing to fit the prejudices of potential aid donors or their electorates, no harm need follow. If, however, island governments and their populations take seriously the plans' pronouncements in favor of self-reliance, the consequences can be serious. Not only are expectations of rising self-reliance in this sense likely to be disappointed, but the pursuit of unattainable goals can involve the squandering of resources, degradation of local environments, and subversion of local cultures.

Connell (1988, p. 80) shares the common ambivalence when he remarks that (emphasis added)

> . . . although self-reliance is an important goal, especially in some sectors, *and should remain a target*, the prospects for an overall increase in self-reliance are very small indeed. More often self-reliance remains a nominal political objective, the key to the formulation of development plans, but not a genuine economic objective.

The idea that self-reliance, although unachievable, "should remain a target" runs through much of the recent literature. In part, this can be explained as a political reaction against the alleged perils of dependency. In part, it no doubt reflects a pragmatic judgement that international market signals may fail to capture the long-run benefits from maintaining the subsistence sectors in good shape. In part it also probably provides a convenient heading under which to address the relationship between an evolving economic structure and the maintenance of indigenous societies and cultures. In general, though, it would be preferable to see the arguments made directly and clearly, rather than in the form of a shadow-play.

An example of the problem is the historical trend of UK assistance to Kiribati during the 1980s, shown in Figure 1. In the first six years

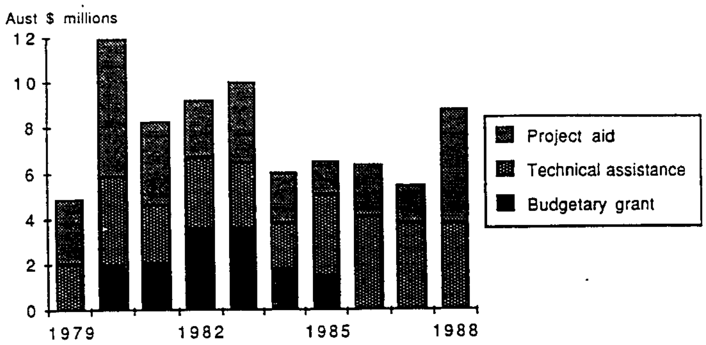

Figure 1. *UK official aid to Kiribati, 1979–88.*

following independence, during 1980–85, the United Kingdom as the former colonial power provided budgetary grants-in-aid, which were in effect a straight untied subsidy to government finance. In the mid-1980s, however, this category of aid was rapidly phased out and replaced by "technical assistance" and "project aid." The main reason for the change was that the latter two categories fitted comfortably with preconceived donor notions of the nature of "economic development," whereas budgetary grants carried (in the eyes of the Thatcher government at least) a negative image of welfare dependence. A secondary reason was, no doubt, that by earmarking the money for specified projects, the UK government was better able to ensure that UK contractors and suppliers benefited from the expenditure. The effect of the change was negligible from the point of view of macroeconomic impact or the allocation of overall government expenditure. As can be seen the long-run UK aid supplement to the Kiribati government budget balance (and the accompanying contribution to foreign exchange availability) settled at between $5.5 million and $8 million in the mid-late 1980s. The projects undertaken, such as port works and public utilities, would almost certainly have been much the same whether finance came as budgetary grants or project aid.

The difficulty arising from packaging the expenditure as "development" is that these infrastructure projects, while undeniably raising living standards in the islands, cannot realistically be expected to yield any measurable commercial rate of return in terms of rising export production or industrial investment, the common yardsticks of "development performance" used by aid donors. The true value of the aid flows lay in the maintenance of the government's capacity to operate as the economy's dominant cash employer of local labor, and thus to sustain (via a simple multiplier process) the level of cash consumption expenditure by Kiribati households.

2. SOME STYLIZED FACTS

The following four extracts from a recent monograph on problems of small island states capture well the central long-run trends for a large number of such economies, albeit seen through orthodox eyes:

> Self-reliance is slipping away from [island microstates] as residents demand more and more imported goods, welfare support, commodity price subsidies, higher wages and so on . . . (Connell 1988, p. 16).
> It is now more likely to be the diversity and strength of external ties (whether for trade, aid, tourism or whatever) that are the greatest contributors to domestic economic growth and development rather than the food production systems that were so crucial in the past (Connell, 1988, p. 17).
> Despite the widespread post-independence emphasis on the need for greater self-reliance . . . this rhetoric has failed to disguise the reality of increasing incorporation. (Connell, 1988, p. 80).
> The much vaunted comparative advantage of [island microstates] lies not in the conventional economic spheres of cheap labour, copra production etc., but in the ability to attract aid and other concessionary finance (which includes remittances from international migration) . . . (Connell, p. 86).

If "self-reliance" is defined in terms of balanced commodity trade (imports equal to or less than exports) and a fully locally financed government budget, the first of these statements is clearly correct, as is shown in Figures 2–10. These charts trace the long-run emergence of trade deficits and government budget deficits in five typical South Pacific microstates, and are an updated version of those presented in Bertram and Watters (1985).

The widening "jaws effect" in all of these charts shows the emergence over the past four

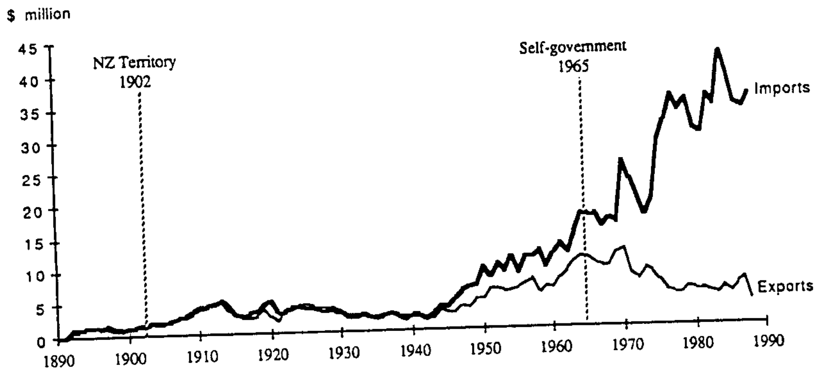

Figure 2. *Cook Islands exports and imports, 1892–1988 (1982 NZ dollars).*

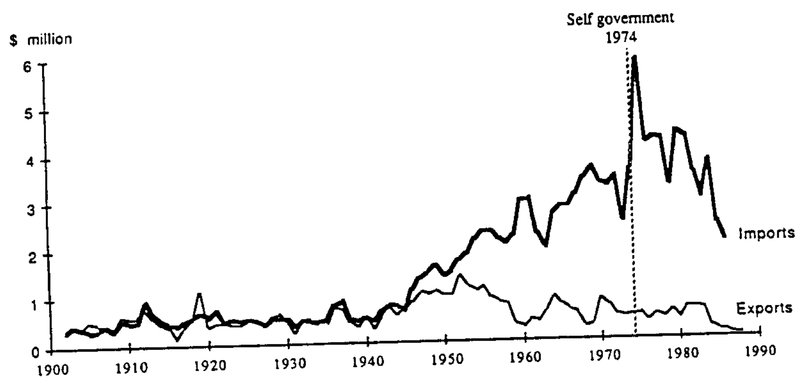

Figure 3. *Niue exports and imports, 1902–88 (1982 NZ dollars).*

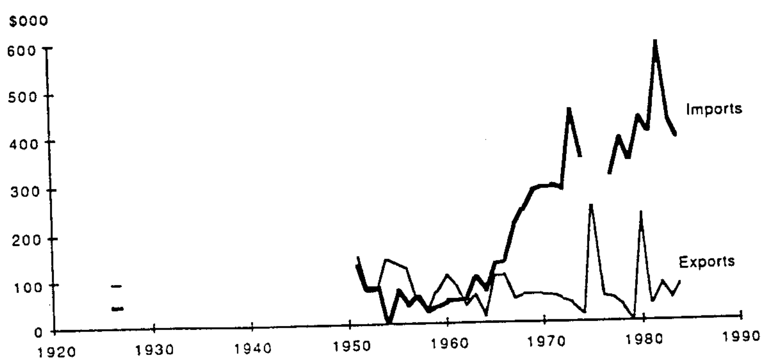

Figure 4. *Tokelau exports and imports, 1926–84 (1982 NZ dollars).*

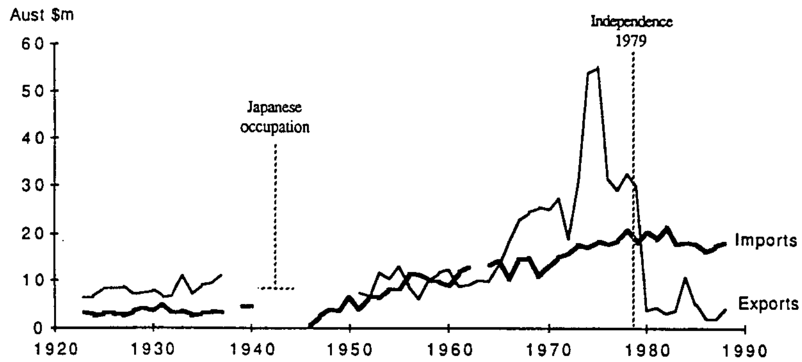

Figure 5. *Kiribati exports and imports, 1923–88 (1982 Australian dollars).*

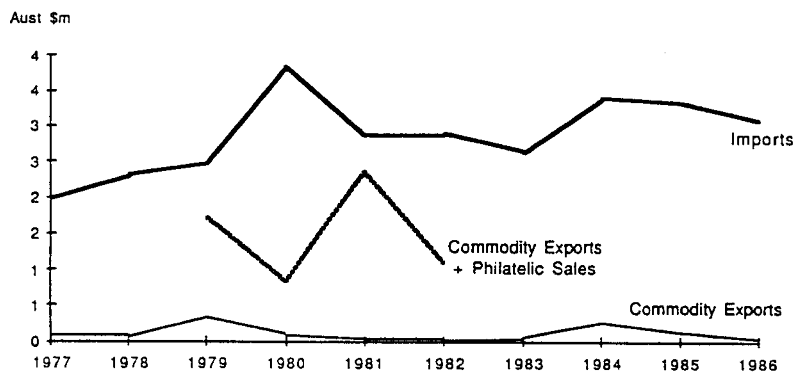

Figure 6. *Tuvalu exports and imports, 1977–86 (1982 Australian dollars).*

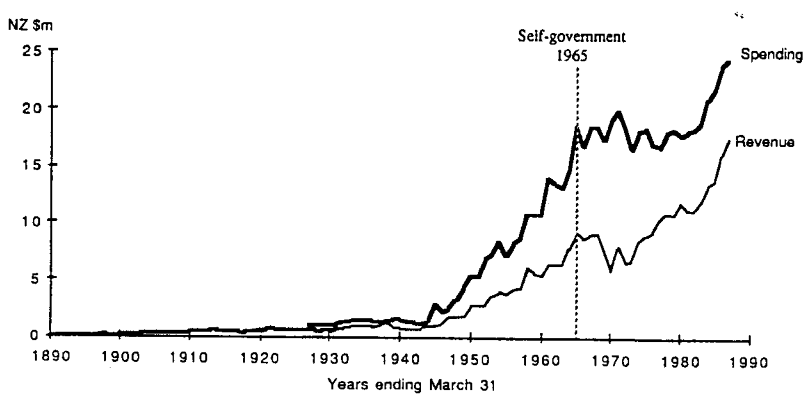

Figure 7. *Cook Islands government spending and local revenue, 1893–87 (1982 NZ dollars).*

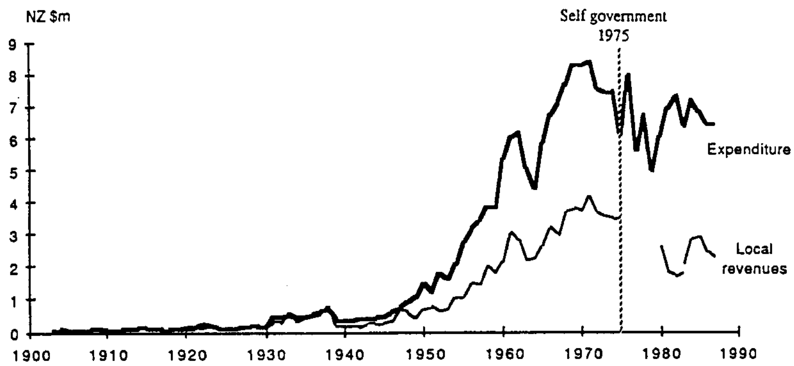

Figure 8. *Niue: Real government expenditure and revenue, 1903–87 (1982 NZ dollars).*

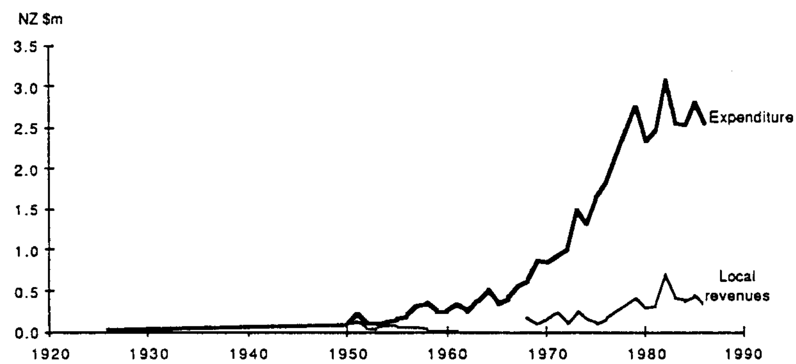

Figure 9. *Tokelau: Real government expenditure and revenue, 1926–86 (1982 NZ dollars).*

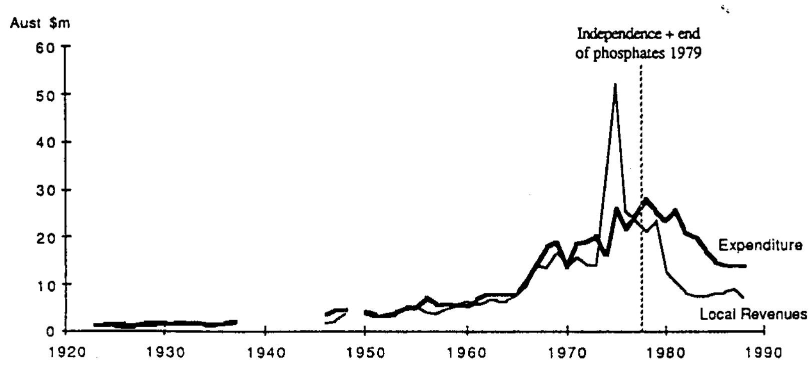

Figure 10. *Kiribati: Real government expenditure and revenue, 1923–88 (1982 Australian dollars).*

decades of a characteristic economic structure with large twin deficits on the commodity trade and government budget accounts. To the casual analyst it is dangerously easy to leap to simplistic statements about societies "living beyond their incomes" or characterized by "savings and foreign exchange gaps." To indicate how false a picture this gives, it is worth quoting some of the features of seven small Pacific island economies as reported by a recent International Monetary Fund (IMF) study (Browne and Scott, 1989).

> . . . the approach to fiscal and monetary management ensured that the government budget was kept in balance, and the overall external position remained sound (p. 5).
> The conservative philosophy of policymakers and external concessional assistance have generally helped to ensure that demand management policies have been consistent with a stable financial structure and the preservation of an open economy (p. 5).
> Price controls have been seldom used; few barriers have existed to the establishment of business firms; and exchange and trade systems have usually been liberal and non-discriminatory (p. 6).
> The region has generally avoided balance of payments difficulties. Owing to the narrow resource base, exports have remained concentrated in a small number of primary products. Import dependence has been pronounced for almost all types of commodities . . . The trade deficits have normally been more than offset by net receipts from services and transfers . . . In most countries, the balance of payments has been persistently in surplus, except during 1980–82, and official international reserves equivalent to several months of imports have been maintained (p. 11).
> Except for Papua New Guinea . . . and Western Samoa . . . external commercial borrowing has not been undertaken on a continuing basis. The authorities have recognised that their ability to finance commercial loans is highly limited (p. 15).
> In most of these countries, fiscal policy has aimed at approximate budgetary balance over the medium term . . . The avoidance of fiscal deficits has depended crucially on maintaining the buoyancy of revenue and tight control over expenditure (p. 17).
> During the 1970s . . . fiscal policies did not add notably to external pressures (p. 21).
> Cautious domestic financial management remains crucial to the preservation of sustainable balance of payments positions (p. 29).

Although the seven countries studied by Browne and Scott included only one of those covered by our charts (Kiribati), the assessments quoted above apply generally to the microeconomies of the Pacific. These are liberal, deregulated open economies with cautious and prudent fiscal policies, and strong balance-of-payments positions over the medium term. (For evidence of balance-of-payments surpluses in the economies shown in Figures 2–10, see Bertram, 1986 p. 815). The "gaps" which have opened up over the long run between exports and imports, and between government expenditure and local revenue, are the *ex-post* consequence of the fact that these economies are driven not by productive factor incomes from domestic industries, but by the flows of rent income to which they hold inherited and negotiated entitlements in the world of the 1980s and 1990s.

It is the status of these economies as rentier societies that has determined their economic structures and their often relatively high levels of material welfare. By the same token, it is continued rent entitlements that are required to render current living standards sustainable. The promotion of productive activity within the territory of these micro states finds its rationale not in its direct contribution to real income, so much as in its role in defining and reinforcing the roles of individuals within indigenous society and culture, and in the spinoff benefits to aid entitlement insofar as donors have an ideological preference for active rather than passive recipients of grant aid.

From this follow a number of important propositions about the role of aid in small Pacific microeconomies (the same points could be extended to Caribbean and other economies of similar type).

First, it is wrong to see aid as contributing mainly to the capital market, by supplementing domestic savings to enable planned investment to be undertaken. In island micro states, aid has its main impact on the labor market, as a supplement to the domestic wages fund. Aid inflow permits the maintenance of a substantial amount of cash employment, mainly in the government sector, at real wages which are roughly indexed to the unskilled real wage rate across the wider Pacific labor market. These are not economies in which viable investment projects exceed available domestic savings *ex-ante*. They are, rather, economies in which strong social and political motives exist for providing cash employment for potentially footloose local labor, and in which the multiplier effects from cash wage income play a crucial role in reproducing the social framework.

Second, the term "aid entitlement" is more appropriate than the commonly used "aid dependence," not just because of the negative connotations of the word "dependence" in many people's minds, but because island micro states are parties to implicit contracts with larger societies in which the micro states deliver real benefits in return for aid flows and migrant labor access. Some of these contracts arise from the decolonization process, in which a number of island societies agreed to allow themselves to be decolonized provided the colonial power underwrote their financial viability over the long term (Bertram, 1987).

Such an arrangement, for example, was written explicitly into the constitution of Niue in 1974 when it moved to self-government in free association with New Zealand (Chapman, 1975). The current wish of the New Zealand government to reduce its aid grant to Niue can therefore be argued to be in breach of a legally binding undertaking, since the Niue Constitution was passed as a statute by the New Zealand Parliament. The issue turns, however, on the interpretation of the words "New Zealand shall provide all necessary financial assistance to the Government of Niue" and the way seems to be open for "necessary" to be redefined unilaterally by the donor.

Island micro states also have significant "existence value" for metropolitan powers, whether because of their strategic or geopolitical role in defining and maintaining spheres of influence, or for the familiar environmental motives that lead metropolitan countries to designate national parks and reserves within their own boundaries, or because of a belief in the benefits of maintaining intact the distinctive social and cultural forms that have evolved in the islands setting — particularly when the metropolitan country stands to gain from the tourism flows attracted by those forms. In some cases, finally, island populations operate as a reserve army of labor for larger metropolitan economies in the region — and in virtually all cases they would be happy to do so.

Third, the visibility of aid flows as they cross formal political boundaries constitutes an optical illusion, which may prevent the observer from noticing the extent to which the region-wide informal economy traces out quite different territorial boundaries. To describe Niue as "lacking a modern sector" in terms of a dualistic development framework is possible only if attention is artificially confined to the territory physically under the administration of the Government of Niue. The modern sector of the Niuean economy, if we think in terms of employment and labor productivity rather than formal political demarcations, lies in New Zealand. Samoa's modern sector lies in Auckland and Los Angeles. The analysis of island microeconomies brings forcefully to our notice the vital distinctions between economic development within a particular physical area, and economic development of a people. "Development of the Cook Islands" is quite different from "development achievements for the Cook Islands people." The former focuses on the domestic product of the islands' physical territory; the latter focuses on the standards of material welfare attained by Cook Island households or kin groups, whether by productive employment in the islands or participation in external markets for labor and financial savings.

3. TRANSNATIONAL CORPORATIONS OF KIN?

The importance of overseas economic activity by migrant members of the indigenous population is not adequately covered simply by estimating the year-by-year flows of remittances sent back, vital though these are for the current account of many island states' balance of payments. Nor is the long-term trend of remittances necessarily a good indication of the role of migrant labor, although it is interesting to note that remittance effort in the case of several South Pacific societies has proved more durable than some pessimistic commentators had supposed (see data in Bertram and Watters, 1985, p. 515, and discussion in Loomis, 1989 pp. 77–81). A more fruitful approach is to regard island kin groups as operating in ways not altogether unlike transnational corporations (Bertram and Watters, 1985, p. 511), allocating their resources of labor and finance across niches of opportunity on a world, or at least regional, scale. The objective of these kin, village and island networks is not necessarily to maximize the current income of home-resident shareholders. More probably, the objective is likely to be the equivalent of maximizing the growth of shareholders' equity. The flow of current remittances (in a sense, the dividends being withdrawn from the collective enterprise by island-resident shareholders) is not a good guide to the level of retained earnings, and hence to the rate at which the real wealth of island peoples is rising through time as a result of labor migration and offshore investment of financial savings.

This conception of "development" as enhancement of the international collective net worth of islander groups, and the extent to which aid flows affect that net worth, provides a research topic of some interest. At the present stage of debate, however, an important conceptual barrier is presented by the lack of an agreed language in which economists and anthropologists can formulate basic shared concepts. The terminology "transnational corporation of kin", which was used as a convenient metaphor in Bertram and Watters (1985), has proved indigestible to many noneconomists because of the different connotations of the term "corporation" in the anthropological literature, as well as because of the assumption by noneconomists that transnational corporations operate under a rigid culture of profit maximization. Munro (1990, p. 64) has outlined the difficulty as follows:

> It is, to my mind, pushing an analogy too far to say (as Bertram and Watters do) that transnational corporations of kin "resemble the familiar transnational corporations of the global modern sector in their allocation of resources and transfers of income between units within the group". The comparison between a multinational corporation and the long-attested "corporate" structure of Polynesian societies is dubious. In the first place the differences in scale are too great to allow such a comparison. More importantly, the diverging underlying rationales of the two further strains the comparison since multinationals are grounded in economic individualism and capital accumulation while the geographically extended kin groups are more concerned with reciprocity within the group and contributing to the common island weal . . . The dispersed kin groups, while having certain corporate functions, cannot be regarded as corporations in the same sense that a multinational is understood to be. The latter is governed by quite different rules of behaviour and economic objectives.

I personally incline to the view that the multinational corporation is far more like an extended kin group, in its behavior and rules of conduct, than Munro allows; but I am reluctant to see the analysis of Pacific Islander economies sidetracked into a dispute about the culture of corporate capitalism. Our coinage "transnational corporation of kin" seemed a snappy way of encapsulating the type of economic processes we were describing, but terminology is expendable, provided we can find some alternative form or words that will serve. Munro provisionally suggests a return to the rather cumbersome "instrumental family networks spanning locales" of Marcus (1981), and himself uses the phrase "spatially dispersed kin groups" (Munro, 1990 p. 65) both of which suffer from the deficiency of focusing, rhetorically, on culture rather than economics.

Rather than spend time here on an attempt to resolve the issue of terminology, it may be helpful to expand on some of the elements that will be required for future research into the immensely varied mixing of economic options by island peoples, who are as undeterred by the boundary between "formal" and the "informal" economies as they are by boundaries in space (whether we are referring here to the spread of economic activities across islands within a given island group, or to the colonization of niches in the wider world economy).

The starting point is to make the leap from thinking in terms of current flows of income, consumption and investment to something more like the "permanent income" model of macroeconomic consumption theory, in which current consumption and investment are related to the long-term wealth position of the spending unit rather than to its income for the current period, subject of course to the constraint that the cash must be found (from reserves, current transactions, or borrowing) to finance desired current spending. Economists are accustomed to think of wealth in terms of the discounted present value of the expected cash income stream over the life of the enterprise. The advantage of this procedure is that it takes explicit account of actions which increase wealth (and thus future consumption possibilities) without appearing as current flows of income or expenditure.

Consider, thus, some group of individuals bound together by their collective participation in the fruits of the group's overall activities. Let us provisionally call this a family. (We could equally well have chosen "village" or "island community" given the clear evidence in the South Pacific of collective investment activity at the level of the whole community in the construction of churches, meeting halls, and other infrastructure.)

The family's wealth consists of all assets which are controlled by the group and (with reservations) by individual members of the group. Over time, it is wealth which confers the ability of group members to sustain their material standard of living, just as it is the structure and cohesion of the group that gives meaningful roles, and understandings of those roles, to its members.

At any time the family will have a set of assets — land, houses, tools and machinery, financial assets, enforceable contracts — inherited from the past, together with a set of income-yielding occupational niches currently occupied by family members. These can be waged or salaried jobs in various locations around the island or the world, profits to the owners of commercial businesses, benefit entitlements under the welfare-state systems of countries where family members live, revenues from the sale of surplus produce from agricultural or manufacturing activities undertaken by family members, receipt of dividends and interest paid to holders of financial assets, or net benefits from rights of reciprocal exchange with other families. The wealth of the family will increase through time so long as its current total consumption plus (actual) depreciation of assets is less than the flow of income (both monetary and other) which continually tends to increase the stock of assets.

To calculate the net worth of a family, it is necessary to add together all items of real wealth which it controls in all countries where it is active. To estimate the rate at which net worth is increasing, it is necessary similarly to aggregate actual depreciation and consumption across countries. The conditions for the family's economy to be sustainable in the Pearce/Barbier/Markandya sense are that its net wealth is nondecreasing through time, and that the informal ties which bind members together, and prevent individuals from leaving with part of the inheritance, remain intact. The same two conditions apply equally at the level of the village and the island community.

It is because many analysts see the multinational or transnational corporation as having the same ultimate objective — wealth maximization subject to the constraint that cohesion must be maintained — that previous work on such corporations can provide a guide for empirical research on spatially dispersed kin groups in the Pacific. Three features of multinationals are particularly relevant. First, they have a propensity to conceal their true assets and income from tax-gathering and other supervisory authorities. (The idea that tax evasion is an activity primarily of the informal sector is, of course, quite false). Second, the nominal prices at which goods and services are transferred from one part of the enterprise to another are not very informative to outside observers. (Cook Islands family members in New Zealand are regular recipients of parcels of food and other traditional products from the islands. They are equally regular senders of consumer durables to family members resident in the islands. These zero-transfer-price transactions naturally do not appear in the official export and import values.)

Third, multinationals transfer cash from one country to another only when this is the most efficient way of financing planned expenditure in the receiving country. Flows of cash remittances from migrants back to their home-resident relatives are similarly a reflection not of the true "permanent income" of those home residents, but of the cash constraints which they face in carrying out their desired level of consumption and investment expenditures within the home country. Other resource transfers besides cash remittances are likely to be equally important in sustaining consumption and investment activities. Besides "gifts" of desired goods these transfers will often involve migratory movement of labor — family members will "visit" localities where labor inputs can be usefully employed (for example, in repairing housing, clearing land, harvesting crops, installing equipment, preparing and auditing formal-sector accounts, pursuing lawsuits or negotiating contracts).

Trying to keep track of this myriad of intra-family flow transactions is beyond the resources of governments, and by the same token stretches the ability of academic researchers, even those focusing on a single family or community. A better approach, therefore, may be to focus on stocktaking at regular intervals, rather than monitoring individual flow transactions. Such longitudinal stocktaking has been conducted, for example, in the United States by labor-market researchers tracing the employment histories of individuals leaving training programs (for a survey see Bertram, 1988). Longitudinal survey research, however, is notoriously time consuming and expensive, and has payoff periods which are too long to attract financing from most agencies. (Epidemiological work is an obvious exception.)

A longitudinal survey of the total net assets of islander kin networks would have to start with a credible sample population of families, each of which would have to be defined in ways which took account of the fluid boundaries of the family or kin institution in Polynesian society. All international niches occupied by each kin group would have to be identified and surveyed, which as Marcus (1981) demonstrated involves virtually a complete world tour in the case of Tongans overseas. Contact with each kin group would have to be maintained through the period until each subsequent resurvey, in order to track changes in membership and the colonization of new locales. Then a complete repeat survey would have to be conducted, not less than five years after the first, and ideally this exercise should continue at five or 10 year intervals thereafter. Very few longitudinal survey studies have achieved this degree of continuity in practice. In the case of Pacific Islanders' dispersed kin groups, before one could justify the commitment of the resources it would be necessary first to utilize the information already available from national censuses in the various countries involved — a major research program in itself. Nevertheless, the outlines of an interesting line of enquiry for scholars of the South Pacific are clearly there.

In discussing, as above, a possible research methodology drawn from the formal sector of the academic economy, one immediately runs into the difficulties of fruitfully blending the approach of economists with that of anthropologists. The latter are skilled in the informal tactics of obtaining good information from the fluid and often ill-defined world of family, kin and community. The former can offer some guiding hypotheses on the overall rationale for the information gathered, and can help to convert the data into a form suited to testing those hypotheses. Both sets of skills are needed, beginning at the design stage of any research program. To turn economists loose in small island societies, without the anthropological perspective, would be a mistake.

4. CONCLUSION

An important implication of the analysis in this paper is that conventional notions of what constitutes economic development cannot be applied mechanistically to the very small island economies of the Pacific. In practice, what matters is whether the entitlement of island communities to rent incomes remains sustainable. This in turn requires that two conditions be met. The first is that labor access to the modern capitalist economies of the region continues (in the case of the New Zealand-linked territories) or is opened up (in, e.g., the cases of Tuvalu and Kiribati). The second is the continuing willingness of the major regional powers (Australia, New Zealand, the United Kingdom, the United States — and of course, in its territories, France) to subsidize consumption levels in the small island countries unless or until those countries achieve the level of rent income characteristic of, for example, independent Nauru (whose people receive very high per capita incomes from financial assets accumulated by saving phosphate revenues). Both of these conditions hinge upon the long-run political commitment of aid-donor governments to the welfare of island communities.

In terms of positively promoting the growth of material wealth of island populations (whether or not individuals remain resident in the homeland) the issue of labor market access is ultimately inescapable. One may surmise that if formal legal access to the metropolitan economies continues to be restricted, then informal labor markets will predominate in enabling islanders to gain access to income opportunities outside their home bases. The experience of the United States with Hispanic migrants is already beginning to be replicated with respect to Polynesian Pacific islanders (Ahlburg and Levin, 1990), and as islander communities become increasingly established in North America the opportunities for sublegal migration must be expected to expand if legal status remains restricted.

Given the continuing goodwill of major donor nations, the small size of the recipient populations and hence the limited volume of funds required to sustain material welfare in the islands, and the considerable skills of island politicians and officials in negotiating and maneuvering for access to aid funds from competing donors, the present situation of substantial aid entitlements seems likely to continue for the foreseeable future. The islands occupy a situation with the Pacific region very similar to that of a small town or suburb within one of the metropolitan economies, providing a domicile for a population much of whose assets and income-earning activity are located elsewhere, but who undertake expenditure and consumption activities in their local area, and require the delivery of services there. A populated and prosperous South Pacific is clearly a public good from the point of view of the main regional powers, and it is the label attached to aid, rather than the basic commitment to provide funding, that seems likely to be at the center of negotiation in the immediate future.

Connell concludes his recent monograph with the words "There are reasonable prospects for all island microstates of achieving aid, dependency and negotiated development with dignity" (Connell, 1988, p. 87). The inclusion of "dependency" in this list seems inappropriate at first sight, but the apparent contradiction is resolved by the words "with dignity." Latin American perceptions of dependency as an unmitigated evil do not carry over to societies where overt dependence on large countries has been the key to rising living standards and (when well managed) the means for preservation of indigenous societies and cultures. Certainly it is important to be alert for familiar problems of dependency (particularly evident in the consumption patterns of some of the US and French territories in the Pacific), but is far more important to avoid instinctive preferences for "self-reliance," which in policy terms lead to a narrowing of the development horizons of individuals and kin groups within the islands.

Allowing island people to "stand on their own feet" is not a matter of cutting them adrift from preferential aid, trade and political arrangements and leaving them to fend for themselves. It is a matter, rather, of enabling them to find, on their own terms, a satisfying place in the world community. The model of the independent nation state will not always be a good guide to the result, but the importance of a reasonably autonomous homeland, in a territory with which the ethnic community of each island society can identify, is no less important to Pacific islanders than to any other people. As for the sustainability of the factor-market linkages between island societies and the metropolitan economies, these seem likely to prove as durable as the kin, village and island networks which currently mediate them. On their present showing, those networks will be a feature of the South Pacific regional economy for at least the next generation, and probably beyond.

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