THE RESOURCES BOOM,
STRUCTURAL CHANGE AND 'CLOSING THE GAP'

The 2011 Dungala Kaiela Oration

'Celebrating Aboriginal cultural identity, creating a shared vision for the people of the greater Goulburn Valley, and building bridges to promote Aboriginal social and economic development'

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Introduction

I'm deeply honoured to have been invited to give the 2011 Dungala Kaiela Oration, the third in a series of lectures established as a partnership between Kaiela Institute, and the University of Melbourne, with which the Grattan Institute is affiliated. It is intended as a celebration of Aboriginal cultural identity, a pathway towards creating a shared vision for the Indigenous and non-Indigenous people of the Goulburn Valley, and a means of building bridges to promote Aboriginal social and economic development.

In that spirit can I acknowledge the traditional owners of the land on which we are gathered here this evening, the Yorta Yorta Nation, and pay my respects to their ancestors, and to their present day elders, including Paul Briggs who I've had the pleasure of coming to know over the past five years or so.

I particularly want to acknowledge the way in which the Yorta Yorta people have sought to overcome numerous misfortunes and setbacks, beginning of course with the arrival of European settlers in the 1830s, the movement to Maloga Mission in 1874, the subsequent movement to Cummeragunja and the difficulties and tragedies experienced there (including the removal of children from 1909 onwards), the 'walk off' in 1939 (about which far less is known among white Australians than the Wave Hill 'walk off' of 1966), the difficult years at 'The Flats' on the banks of the Kiaela at Mooropna, and the struggle since the Flats were dismantled in the 1950s to gain acceptance and recognition by the wider community of Shepparton and the Goulburn Valley.

In the face of ignorance, prejudice and neglect you've shown extraordinary resilience and persistence. As Paul Briggs has said, you want to 'come off the fringes, into the mainstream, without compromising your identity and compromising your culture'. You've done that particularly through sport, through the Rumbalara Football Netball Club, which had to battle for years against the unwillingness of local competitions to allow it to field teams – something which for me has echoes of the ongoing contempt which the AFL has for the aspirations of Tasmanians for a team of their own – and which since the late 1990s has won premierships on the field, and hearts and minds off it.

But there remains so much to be done, both here in the Goulburn Valley and across the entirety of Australia, before anyone can truly say that full recognition and acceptance has been achieved.

A snap-shot of Indigenous disadvantage

Last month the Productivity Commission released its sixth annual report assessing what progress has been made in overcoming Indigenous disadvantage in terms of 45 different quantitative indicators[1]. Among other things this report shows:

- Indigenous men can expect to live almost 11 years less than non-Indigenous men, and Indigenous women 10 years less than non-Indigenous women;
- Indigenous babies are 1.6 to 3 times more likely to die before their first birthday than non-Indigenous babies;
- School attendance rates are uniformly lower for Indigenous children than for non-Indigenous children;

[1] SCRGSP (Steering Committee for the Review of Government Service Provision) 2011, *Overcoming Indigenous Disadvantage: Key Indicators 2011*, Productivity Commission, Canberra.

- The proportion of Indigenous people aged 15 or more who have left school before completing year 10 is still twice as high as the proportion of non-Indigenous people (despite that proportion having declined significantly since the early 1990s);
- Just under 54% of Indigenous people of 'working age' (15-64) have a job, compared with 76% of non-Indigenous people, and those Indigenous people with jobs are much less likely to be employed in the private sector than non-Indigenous people;
- Indigenous people are more than six times as likely as non-Indigenous people to have been unemployed for more than a year;
- 40% of young Indigenous adults (18-24 years olds) were neither working (or actively seeking work) nor studying, compared with just under 10% of young non-Indigenous adults;
- Indigenous households earn about $300 per week less than non-Indigenous households;
- Indigenous adults are roughly twice as likely as non-Indigenous adults to be receiving government pensions and allowances;
- Indigenous people are seven times as likely to be hospitalized for potentially preventable chronic diseases (like asthma, diabetes, chronic pulmonary diseases and angina) as non-Indigenous people, more than twice as likely to be hospitalized for potentially preventable acute diseases (like gastroenteritis, kidney inflammations, ENT infections, and dental conditions), and three-and-a-half times as likely to be hospitalized for causes related to tobacco use;
- The proportion of Indigenous adults experiencing high or very high levels of psychological distress is almost three times higher than the corresponding proportion of non-Indigenous adults; and
- Indigenous people are multiple times more likely than non-Indigenous people to be victims of child abuse and other forms of family violence, and 14 times more likely to be imprisoned.

On some of these dimensions of disadvantage, there has been at least some improvement over the past decade – that is, things aren't quite as bad as they were. But on many of them, there's been no improvement at all, and some of them have actually gotten worse.

These indicators of 'the gap' between Indigenous and non-Indigenous life experiences are also apparent in the Goulburn Valley. Indeed, the unemployment rate among Indigenous people in this region is higher than the national Indigenous unemployment rate, and the level of educational attainment is lower among the Indigenous people of the Goulburn Valley than among Indigenous people across Australia as a whole[2].

I'm not in a position to say why these 'gaps' between the experiences of Indigenous and non-Indigenous Australians are as wide as they are, or as persistent as they have been, despite the expenditure of considerable amounts of public funds on programs ostensibly directed towards narrowing them – although I note that there are many people, including Indigenous leaders such as Noel Pearson, who say that many of these programs have contained 'perverse incentives' which have led Indigenous people into 'the poverty trap of welfare dependency'[3]. And I hope I am not verballing Paul Briggs when I interpret what I have heard him say many times about the importance of Aboriginal children going to school, and Aboriginal people getting jobs in the private sector, as meaning that he also doesn't think 'the gap' can be closed solely by more government spending.

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[2] Access Economics, *Economic Impact of Closing the Indigenous Gap in the Goulburn Valley*, Report prepared for the Business Council of Australia (October 2009), pp. 11 and 14.
[3] Noel Pearson, 'Welfare Reform and Economic Development for Indigenous Communities', Address to the Centre for Independent Studies (25 October 2005).

Nonetheless, my main message this evening is that Australia is now being presented with a historic, an unparalleled opportunity to tackle some of the problems which have beset this nation for many years – and there could be no greater blot on Australia's record as a nation than the treatment and condition of the descendants of the original inhabitants of this country since European settlement began 223 years ago.

The greatest commodities boom in our history …

I am referring, of course, to the fact that Australia is now experiencing what may well turn out to be the largest and most prolonged commodities boom in our history, driven largely by our capacity to meet many of the resource requirements associated with the industrialization and urbanization of the two most populous nations on the planet, China and India.

These two nations are now passing through a stage of economic development during which, as economic activity shifts away from agriculture towards manufacturing (and before it becomes increasingly dominated by services) and as the population moves from rural areas into cities, the demand for commodities of all types rises strongly.

In recent years, and for the years immediately ahead, the China and India commodities story is essentially one about steel and energy – which in turn means it is about iron ore and coking coal, and about thermal coal, oil and natural gas.

We don't have any oil (or at least, none for export); but we are already the world's largest exporter of iron ore and coking coal, the second largest exporter of thermal coal (after Indonesia), and on present indications we will by the end of this decade be the largest exporter of LNG.

Australia is the only major commodity-exporting nation to have all three of these commodities (iron ore, coal and LNG) in such large quantities, as well as a wide range of base and precious metals, other energy sources (such as uranium) and a broad spread of agricultural commodities.

Hence we are experiencing the most sustained upswing in what economists call our 'terms of trade' (the ratio of export to import prices) in at least 140 years, and the biggest expansion in resources sector capital investment in at least 160 years.

This has the potential to create enormous wealth and prosperity for the people of Australia – if we manage it wisely.

Unfortunately, the experience of previous 'commodities booms' in Australia does not inspire a great deal of confidence that we *will* manage it wisely.

Each of our last three 'commodities booms' – the Korean War wool boom of 1951, the mining boom of the late 1960s and early 1970s (which was driven largely by the urbanization and industrialization of Japan as it became our largest trading partner, much as China is doing now), and the rather briefer resources boom of the early 1980s (prompted by the second oil shock which followed the overthrow of the Shah of Iran) – ended in a burst of double-digit inflation, followed (inevitably) by recession.

Although the circumstances of each of these three episodes were different in many respects, one of the features common to each of them was an inability or unwillingness on the part of both the Australian people and their governments to accept that making the most of the opportunities presented by these surges in commodity prices entailed a significant degree of structural change.

… will create considerable (and inevitable) structural change …

In particular, the Australian people and their governments have always had trouble accepting that the sum of the various sectors of the economy – primary industries, mining, manufacturing, construction and services – can't add up to more than 100% of gross domestic product; and hence that if commodity-producing sectors are to expand as a proportion of GDP in order to capitalize on the opportunities presented by a period of unusually high commodity prices, then other sectors have to shrink as a proportion of GDP in order to accommodate the expansion in the commodity-producing sectors.

When the Australian people and governments are unable to accept that simple arithmetic principle, the result has been, unavoidably, higher inflation as the commodity-producing sectors compete with other sectors of the economy for increasingly scarce labour, materials, capital and other factors of production.

To be sure, since the end of the last 'resources boom' there have been a number of important structural and institutional changes in the Australian economy which lessen the probability that the current resources boom will end the way each of the three previous ones have done:

- Since shortly after the collapse of the last resources boom we have had a floating exchange rate, which in the current boom has allowed the A$ to rise significantly, thereby helping to contain inflationary pressures by lowering prices of imported goods and services, and (by putting competitive pressure on other trade-exposed sectors of the Australian economy) helping to reduce cost and price pressures associated with competition for increasingly scarce labour and materials. In previous commodities booms, when the exchange rate was fixed, governments (under pressure from manufacturing and farming interests) were reluctant to let this happen.

- We no longer have a highly centralized system of wage fixing which more or less guarantees that the large wage gains procured by workers in the resources sector (where employers can afford to pay them) are also obtained by employees in sectors such as retailing, manufacturing or hospitality (where employers can't afford them).

- And we have an independent central bank, with the clearly articulated objective of keeping inflation at between 2 and 3 per cent 'on average over the course of the business cycle', and both the means and the will to achieve it – in contrast to the situation prior to the early 1990s when the Reserve Bank needed the express permission of the Government of the day to raise interest rates, or tighten monetary policy in other ways, and that permission was never given enthusiastically.

Even so, during what the Government now calls 'Mining Boom Mark I' – the period from about 2004 up until the onset of the global financial crisis, which initially appeared to have terminated the boom – inflation rose to a peak of 4.9% over the year to September 2008. Had it not been for the economic slowdown induced by the financial crisis, the inflation rate might well have been headed for – who knows, maybe 6%? – by now.

And we are once again seeing clear signs of an inability on the part of a large proportion of the Australian population, and of some significant participants in the political process, to accept the simple arithmetic that I referred to a moment ago.

Australia is always going to have a larger mining sector than most other 'advanced' economies, because of the bounty of natural resources with which the continent we occupy has been endowed.

And it is also more or less inevitable that the services sector will account for a similar proportion of the Australian economy as it does of other 'advanced' economies with similar standards of living, because people with standards of living similar to ours typically choose to spend a similar proportion (around 70%) of their incomes on services, whether directly or indirectly (when provided through the public sector and paid for by taxation), and because most services are inherently not tradeable.

Indeed, the main reason for the decline since the mid-1970s in manufacturing as a share of GDP or of employment is *not*, as is commonly claimed, the dismantling of the tariff barriers behind which Australian manufacturing sheltered for almost a century (at considerable expense to consumers and other businesses), but rather the fact that, as Australians' incomes have risen, the share of those incomes which they have chosen to spend on goods has fallen from almost 40% to less than 25%, while the share which they spend on services has risen from just over 60% to more than 75%. The same thing has happened in every other high-income countries. And only in those countries where manufacturers have been successful at *exporting* – such as Germany – has manufacturing shrunk as a share of GDP by less than the average for all industrialized countries.

This is exactly the same reason that agriculture no longer accounts for anything like the same share of Australia's GDP (or the GDP of other high-income countries) as it did a century ago – because as people become richer, they spend less of their income on food.

Because Australia has a larger mining sector than other rich countries, it *must* have a smaller manufacturing sector than other rich countries. And it is similarly a matter of arithmetic that the manufacturing sector, and those parts of the services sector which are 'tradeable' (such as tourism, and – as a result of developments in information and communications technologies, retailing) will shrink further as a proportion of GDP if the mining sector is going to expand as a share of GDP – as it has to, if Australia is to make the most of the once-in-human-history opportunity presented by the industrialization and urbanization of the two most populous nations on the planet.

This is obviously a particular challenge for the Goulburn Valley. At last count (in 2006), manufacturing accounted for over 13% of total employment in the Goulburn Valley, compared with 10% for Australia as a whole at the time (and 8¼% now). And manufacturing businesses are shedding jobs here no less than in other parts of Australia. The Goulburn Valley's primary industries, which employed over 9½% of the workforce at the time of the last Census (compared with 3½% of the national workforce) is also being buffeted by the strength of the exchange rate, while not deriving the same benefit from rising commodity prices as some other areas of agriculture. And retailing, which is the Valley's largest employer with nearly 14% of the workforce (compared with 11½% for Australia as a whole) is feeling the effects of the change in Australian household attitudes towards spending, borrowing and saving which started about six years ago but which have gained particular impetus from the global financial crisis.

Conversely the Goulburn Valley has practically no mining activity to speak of. And many other sectors experiencing significant growth, such as professional, scientific and technical services, financial services and engineering construction, are 'under-represented' in the Goulburn Valley compared with Australia as a whole.

That's not to say that with careful attention to nurturing particular sources of competitive advantage, and diligent attention to emerging consumer needs, Goulburn Valley primary producers and manufacturing businesses can't survive these challenges. But it's likely that more growth will come from other sectors such as health care – which accounts for a larger share of total employment in the Goulburn Valley than of Australia as a whole – or from wholesaling and transport, activities for which the Goulburn Valley's location makes it well suited.

Now if it were at all likely that the mining boom will turn out to be 'a flash in the pan', over and gone in a few short years, there *might* be a case to be made for 'holding back' the expansion in the mining sector (through taxation, project approvals processes or foreign investment guidelines) in order to prevent what might then be wasteful investments and to preserve industries and jobs which might be needed again after a very short interval.

But I believe that, even on quite conservative assumptions (which entail some slowing from the growth rates it has recorded over the past two decades), China's demand for commodities will continue to grow strongly until at least 2019, and may not start to fall away until 2024; while in India, where the commodity-intensive stage of economic development only began in earnest in 2007, it is likely to continue well into the 2030s[4].

So for Australia to seek to restrain the expansion of the mining sector out of a desire to preserve jobs in other parts of the economy would be to forego an enormous boost to our national income over a long period of time. That income will instead go to other countries – Brazil, Indonesia, various countries in Africa, or Central Asia. We might as well regard it as an increase in our foreign aid budget.

In my view the only thing that governments can and should do by way of assisting industries which are under pressure as a result of some of the 'side-effects' of the mining boom, such as the strong A$, is to help them improve their productivity (that is, the efficiency with they combine labour and capital to produce whatever goods or services they produce). That may entail support for research or other forms of innovation; it may entail assistance with skills development, training or re-training; or it may be about mitigating the effects that other government policies could be having on firms' competitiveness, or their ability to re-organize work in ways that will lift productivity, and enable them to remain viable in the face of adverse pressures.

But governments should *not* seek to prevent structural change from occurring – for example, by trying to prevent the Australian dollar from rising, or by 'heavying' the Reserve Bank into setting interest rates at lower levels than the Bank's own judgements suggest are appropriate. And it should not try to force Australian consumers and businesses to pay higher prices for manufactured goods by denying them access to imports, which is no less a form of 'protectionism' than the more traditional versions such as tariffs and quotas.

Nor should we be fooled by attempts to dress up attempts to introduce 'protectionist' measures as being somehow necessary for 'national security', which is usually the last resort of someone who knows that his or her policy proposals will not withstand rigorous, disinterested scrutiny.

Talk that the 'playing field' is not 'level' ignores the fact that countries which keep their exchange rates artificially low, or which impose high tariffs on imports, are actually imposing costs on their own people or businesses: and the fact that other governments are willing to disadvantage their own people in order to advantage selected industries or businesses isn't a good reason for us to do the same thing.

That's not to say that manufacturing isn't important: it is. It still accounts for about 9% of Australia's GDP and a similar proportion of total employment, and it creates additional income and employment both 'upstream' and 'downstream'. However I don't accept that there's anything intrinsically more noble about manufacturing than other forms of economic activity, including in particular, services – or that there should be more wailing and gnashing of teeth about the loss of jobs at a steel mill than the loss of a similar number of jobs at an airline or a bank.

[4] See Saul Eslake, Commodity Prices', Paper presented to the International Conference of Commercial Bank Economists, Amsterdam (23 June 2011), pp. 2-6 for a more detailed exposition of this argument.

Australia's long-term interests are not well-served by the deriding of services sector jobs as "taking in each other's washing". Indeed, it's highly likely that parts of the services sector – in particular, aged care – will play as important a role in providing employment opportunities for people with limited education or skills as manufacturing did in the now somewhat distant past.

… and will also call for careful and visionary stewardship of the fruits of the mining boom

Nor do I mean to suggest, when I say there is no point in seeking to restrain the expansion of the mining sector in order to preserve jobs, that we shouldn't be seeking to ensure that the Australian people derive an appropriate share of the income generated from the exploitation (by privately owned corporations) of finite natural resources of which they are the ultimate owners.

Although I believe that the 'Resources Super Profits Tax' as proposed by former Prime Minister Kevin Rudd was poorly conceived, and even less well 'sold' to the electorate, the principle underlying it – namely, that the return to the Australian people from the exploitation of mineral and energy resources should be based on the profits derived from the extraction and sale of those resources, rather than on the volume of resource production – is one that I (and most other economists) strongly support. And I think it's regrettable that, in the backlash against the poorly conceived and badly sold 'RSPT', the Government has backed down to the point of imposing tax at barely more than half the rate initially proposed, and will apply it to only two minerals, coal and iron ore. Why, for example, shouldn't gold-mining be brought within this taxation regime now that gold is trading at not far below US$2,000 per ounce?

The Australian Government will of course derive considerable amounts of additional revenue from ordinary company taxes paid by mining companies, especially after the current very high level of capital expenditure being undertaken by mining companies (which in turn gives rise to large accelerated depreciation provisions which initially reduce the amount of income tax payable by mining companies[5]) has levelled off, and more projects move into their peak production phase.

And since, according to research by Reserve Bank economists, 'a little over half the total receipts earned from mining operations' accrue to Australian residents (notwithstanding that foreigners may now own as much as 80% of current Australian mining operations), through wages paid to employees, payments for goods and especially services bought by the mining industry, royalty payments and the share of after-tax profits owned by Australian shareholders[6], there will also be a significant indirect increase in tax revenues flowing to the Australian and State and Territory Governments.

A second key challenge arising out of the mining boom will thus be that of ensuring that this additional flow of revenue to government is not frittered away, but that it leaves a lasting legacy.

This is something which Australia failed to do during the first phase of the current mining boom. The Howard Government, in its last term of office, and the Rudd Government, in its first year of office, were unwilling to contemplate budget surpluses of more than 1% of GDP, so they 'gave away' the revenue that would otherwise have resulted in budget surpluses larger than this arbitrarily-chosen figure in the form of income tax cuts and cash handouts to selected groups of social security recipients. Those who benefited from this largesse spent most of it, putting upward pressure on demand, inflation and ultimately interest rates during a period in which the Australian economy was already at 'full employment'.

[5] For a more detailed explanation see Australian Government, *2011-12 Budget Paper No. 1,* pp. 5-11 to 5-12.
[6] Ellis Connolly and David Orsmond, 'The Mining Industry: from Bust to Boom', Paper presented to Reserve Bank of Australia Conference on The Australian Economy in the 2000s, Sydney (August 2011), p. 37.

This mistake could have been avoided – as I argued at the time (without too much support from anyone else)[7] – if Australia had been willing to establish some kind of 'stabilization fund' or 'sovereign wealth fund' similar (although not identical) to those which exist in countries like Norway or Chile.

An Australian 'sovereign fund' wouldn't be created out of the revenue from State-owned commodity businesses like Norway's Staatoil, or Chile's Codelco. Nor would it be funded solely by specific taxes levied on mining companies (which, as currently envisaged at the Federal level, aren't going to raise much money anyway – and the money which they are supposed to raise has already been committed to other purposes).

Rather, an Australian 'sovereign fund' should be created from the larger budget surpluses which Australia ought to be running once the mining boom gets into full swing, and after the net debt which has been run up since the onset of the global financial crisis has been paid off – which on the forecasts contained in the most recent Federal budget will be by 2020 (and here I again emphasize that in my view the present mining boom is unlikely to be over by then).

The present Australian Government's fiscal strategy, as enunciated in the most recent Budget Papers, says that the disciplines by which the Government regards itself as bound – to divert any unanticipated revenue gains to improving the Budget bottom line (a discipline which has been honoured more in the breach than the observance) and to keep growth in real outlays to less than 2% per annum – only apply until the Budget surplus reaches 1% of GDP – which on the latest forecasts will be in 2016-17. After which, presumably, the present Government, or whoever is in power after what will be the next two Federal elections, will free to repeat the mistake made by the Howard and Rudd Governments all over again.

A 'sovereign wealth fund' would provide a politically saleable rationale for running budget surpluses of a magnitude – perhaps as much as 3-5% of GDP – that may well be required in order to prevent the present resources boom from ending in the same way that previous ones have done, or to ensure that the burden of preventing that outcome doesn't rest entirely with the Reserve Bank.

A sovereign wealth fund would, in effect, convert at least some of the revenue from what is a finite and depleting stock of natural resources into a potentially permanent stream of payments from a stable or even growing stock of financial capital. It would help to prevent a surge in domestic spending at a time when the economy is likely to be operating at 'full employment'.

And it would provide a means by which the present generation of Australians – those of us who, by co-incidence rather than as a result of our own efforts, happen to have custodianship of the wealth which has been lying under, or around, this continent for millennia, at a time when the people of the two most populous nations on Earth are, as a result of their own efforts, willing to pay very high prices in order to procure the resources on which that wealth is based – can discharge the moral responsibility I believe we have to future generations of Australians to leave to them a greater inheritance, rather than expropriating all of it for ourselves.

This is hardly a new or radical idea. Indeed it goes back thousands of years. The Christian Bible relates how the Prophet Joseph advised the Egyptian Pharoah that '20% of the produce of the land during the seven plenteous years [should be] laid up … as a reserve for the land against the seven years of famine which are to befall the land … so that the land may not perish through the famine'[8].

[7] For example, in 'Australia and Britain – Previously Parallel Paths Now Diverging', Talk to a luncheon hosted by the Australia-Britain Chamber of Commerce (27 April 2006), Sydney.
[8] *Genesis* 41: 34-36.

An Australian sovereign fund would need to be governed by very tight rules, similar to those governing the Future Fund established by the Howard Government to defray its unfunded public service pension liability, to prevent governments from touching the capital in (and perhaps also the income from) the fund until the resources boom is 'over' according to some objective criterion, such as the terms of trade falling below their 2005 level for at least a full financial year.

Such a Fund would most sensibly be managed by the existing Future Fund Management Agency, who have done a pretty good job in managing the $75 billion which it now has under its control.

I've also long argued that such a Fund should be divided into separate accounts (probably though not necessarily of equal size), for some clearly designated purposes such as

- pre-funding some of the costs associated with population ageing;
- providing for the transport, health and education infrastructure of the future;
- drought- and disaster-proofing the nation (to the extent it's possible);
- assisting the transition to a 'low-carbon' economy; and
- making substantial and meaningful progress towards eliminating the extent of Indigenous disadvantage.

I want to emphasize that I haven't add the last of these points tonight. It's been there ever since I started advocating that Australia should establish some kind of sovereign wealth fund, more than five years ago.

An opportunity to make substantial progress towards eliminating Indigenous disadvantage

And that brings me back to where I began this talk. Despite the expenditure of considerable amounts of public monies over what is now a very long period of time, progress in 'closing the gap' between the living conditions of Indigenous and non-Indigenous Australians has been, at best, limited: and in some areas the 'gap' has continued to widen.

Yet surely we should be asking: if the industrialization and urbanization of China and India will, by the time it is completed, have lifted over 1½ billion people out of poverty in less than 50 years, isn't it within the capacity of this nation, which will derive such large economic benefits from the industrialization and urbanization of China and India, to achieve the same for just under 600,000 Indigenous people of Australia?

I want to emphasize that I am not suggesting that the 'gap' should or indeed can be closed simply by handing over large amounts of cash from a sovereign wealth fund to the Indigenous population. Indigenous land-owners are of course entitled to negotiate royalties for access to resources on land which they own. But, as the experience of Indigenous people in northern Australia demonstrates only too clearly, large royalty streams have done little to alleviate the condition of those Indigenous communities on whose behalf those incomes have accrued – and some would say they've had as detrimental an impact as what Noel Pearson calls 'sit down money'.

However it seems to me that there's a lot more that could be done to provide decent housing, greater access to education, more appropriate vocational training, better health care, better community support services for Indigenous people and their communities, and more opportunities for Aboriginal people to be employed in delivering all these things than is being provided at present; and that accruing capital through some kind of Australian sovereign wealth fund for those purposes (among others) would be an appropriate means of financing the greater expenditures required to achieve goals such as those.

Of course there would need to be a willingness on the part of Indigenous people and their communities to respond in kind to any such concerted effort on the part of the broader Australian community to use a share of the wealth accruing from the mining boom in this way.

I am sure that willingness is no less present in Aboriginal communities than it is in the broader Australian community. Everything I've heard from Indigenous Australians that I've come to know tells me that they, no less than other Australians, aspire to own their own homes; to have meaningful, fulfilling and well-paid work; to see their children get a good education; and to be accepted and respected members of mainstream society. But it's also clear that more needs to be done to ensure that these goals are realized.

Here in the Goulburn Valley, it's been estimated that 'closing the gap' in terms of life expectancy, labour force participation and labour productivity by 2030 would boost the economy of the region by $61 million per annum (in constant 2008 prices) or 1.3% in that year, or in net present value terms by a total of $216 million between now and then. And it would increase total employment in the region by around 300[9].

That would be something truly to celebrate. And using part of the revenue accruing to the Australian nation from what is going to be the largest mining boom in our history through fiscal policy settings that will also maximize our chances of not repeating our history of mis-managing episodes like this to make substantial progress towards the goal of 'closing the gap' between the life experiences of Indigenous and non-Indigenous Australians would be a fitting way of acknowledging that Indigenous people have been the custodians of the land from which we are now going to be deriving so much wealth.

[9] Access Economics, Economic Impact of Closing the Indigenous Gap in the Goulburn Valley, Report prepared for the Business Council of Australia (October 2009), p. 20.