**Privatization in the Pacific**

Address to the Association of Pacific Island Legislators

Pohnpei, July 20, 1997

Honorable Haruo Esang, President of APIL, delegates from the legislatures in the Pacific, Governor Pangelinan, Speaker Edward, my fellow clergymen, staff members, and guests.

My dear friends, I would like to welcome you to Pohnpei for the opening of this APIL session, but I feel odd doing so. After all, you have as much claim to this island as myself, a relative newcomer to Pohnpei although not to Micronesia. I’m sure that I speak for those hosting this conference when I invite you to make yourself at home here and think of this island as your island. All of us--Pohnpeian, Micronesian of other islands, and other hangers-on--are most happy to have you with us these days.

I have been invited to give this opening talk because those who would ordinarily have welcomed you and inspired you have been unable to attend this session tonight. I regret that they were unable to be with us this evening--and you probably will, too, by the time this talk is over. The theme of your conference, I am told, is privatization. Let me, therefore, address this subject in my remarks.

I ask you to come with me on a sentimental journey back to 1970. This was an exciting time in Micronesia, when the islands of the TTPI were just beginning to wrestle with the issue of their future political status. It was a time of political strategizing, as any other time, but the political speech-making was ennobled with high-minded appeals to nationalism and cultural identity. Everyone who stood in front of a crowd in those days professed to be trying to help his people attain political maturity while preserving cultural identity, achieve self-respect while guaranteeing economic stability. Most, I suspect, were sincere in what they professed, even if their positions were not without strong elements of self-interest.

Those were the days that the anthropologist Tom Gladwin, without any trace of doubt or irony, could urge the people of Micronesia to adopt Cuba and the People’s Republic of China as models for future development. But he wasn’t alone in this. Many of us, myself included, were flirting with socialism in those gloriously idealistic days. We were painfully aware of the inequities in the capitalistic system embodied in most Western governments. The winners in the cut-throat economic game were lavishly rewarded, as all could see, but the plight of the losers--the homeless, the ghetto dwellers, the poor dirt farmers--was a burning source of shame. Wouldn’t it be wonderful to have a political-economic system that served the needs of all the people, as the socialist countries claimed that they wanted to do? Imagine a nation in which all the important industries were nationalized, with the profits divided among all according to need!

That was the glorious dream that many of us had, but the reality turned out very differently. I remember meeting an Australian engineer who had just returned from Tanzania, the scene of Julius Neyrere’s captivating experiment in socialism. I was shocked when he told me that socialism and the planned economy weren’t working very well in Tanzania. People weren’t producing as they should, and government services were not up to the quality expected. Socialism, with its nationalized industries and railroads and utilities and shipping, had such an irresistible appeal that it was hard to believe that this country’s programs weren’t the tremendous success we hoped they would be.

Here we were in Micronesia, a part of the world that seem ready made for the socialist experiment. Weren’t our Pacific island societies rooted in the principle of cooperation for the common good? And wasn’t sharing of resources one of the most distinctive features of life on a small island? Whatsmore, the Trust Territory and the other US flag territories had a long history of socialized medicine, government-run transportation, and state-operated utilities throughout the years of US administration. What could be more appropriate than to go all the way and convert the islands into a Pacific Tanzania?

It’s a little embarrassing to look back on all this now and realize that we were duped by our ideals. For all its appeal, socialism has been a disaster--a proven failure. And our dream of a non-competitive society governed only by the Golden Rule--each producing according to his ability and each receiving according to his need--has turned to dust.

We should have known better. We who saw in Pacific island societies fertile ground for a socialist state weren’t looking deeply enough into the workings of these societies. Perhaps I’m a little slow, but it’s taken me years to see beyond the appearances of solid community cooperation and comprehend the enormous importance of competition in these societies. Scrambling for prestige, the art of one-upsmanship, and the race for position and wealth lies as much at the heart of these societies as it does in the West, my friends. Would anyone want to suggest that this is not true of places like Samoa, Palau, Pohnpei, and the Marshalls? But we needn’t apologize on this account, because these same forces are probably to be found at the core of any society. The pity is that we don’t use them better.

By this time you may be wondering when I’m going to get around to talking about privatization. Well, I already have. I’ve been describing the hopes we all had in socialism, which my dictionary defines as “the system of social organization in which the means of production and distribution of goods are owned and controlled by the government.” Socialism as a system embodies the hope that the government can do it (whatever the “it” might be) better and more equitably than private organizations. Maybe more equitably, although not always. Certainly not more effectively.

What the Soviet bloc learned to their dismay, as we all should know by now, is that government simply cannot do what these socialist states hoped it could. The Iron Curtain and the Berlin Wall have come down. Tanzania was another casualty along the way. China is backpedalling furiously to avoid the same fate, and we may expect that someday even North Korea and Cuba will yield to the inevitable.

This bring me to the point of this talk. If there is any single rationale for privatization, it is that the government is usually far less efficient in running operations than private companies would be. It’s no mystery as to why this should be so. Let me illustrate with the example of an individual who was running an important department of one of our governments and managing a business on the side. This administrator seemed incapable of taking personnel action regarding government employees who habitually skipped work or were late. He found it difficult to obtain reports from employees who were delinquent in filing them, even when these reports were needed for the management of large sums of money. It was a cultural problem, everyone said, and merely turned a blind eye to the fact that he was leaving his office at 11AM each day to devote his attention to his business. Meanwhile on the other side of town he ran a small hotel and restaurant that employed two dozen people. There it was an entirely different story. Anyone who was late for work was docked part of his salary; and a couple of unexcused absences was enough to get an employee fired. Financial reports came in on time, or else someone was called in to explain why. Somehow, the cultural constraints that handcuffed the administrator in his government office weren’t an insuperable problem when he was handling his own business.

My dear friends, you know very well that this is not a far-fetched example. Something like this is repeated dozens of times over in each of our political jurisdictions. The sad fact is that an enormous difference in attitude exists between managing our own business affairs and managing the government’s. If the government loses a few dollars on some operation due to my personal neglect--well, the government is too big and well-heeled to miss the money. In any case, it’s not my personal problem. Conspicuously absent in government service is the personal responsibility that stems from a sense of ownership, the knowledge that the whole operation will rise or fall depending on my effort, the realization that I must suffer the consequences, good or bad, for my management.

Let’s face it. You wouldn’t be talking about privatization this week if you were entirely satisfied with your governments. Privatization is a critical issue because we realize that many of the services we have come to expect in our societies can be more efficiently delivered by private companies than by government offices. No doubt this has to do in great measure with the elemental forces and motives that drive human beings--competition, the desire for recognition, pride in one’s achievements, the profit motive. If such forces are a source of energy, as seems to be the case, then let’s harness them and exploit them for the service of our fellow citizens and the improvement of our standard of living. Our governments have a long way to go in making the creative use of the human competitive urge, even though this same urge has been making the wheels of our traditional societies turn for centuries.

I have tried to say a little bit about why privatization is important, here and everywhere else in the world, but I leave it to others to discuss how this can be implemented. Perhaps your discussions during the next few days will move us all along this path. Let us hope so.

Allow me to leave you with a final word of caution on this matter. Government employment has become a secure way of life for many of our longtime employees in these different jurisdictions. Government positions are tenaciously guarded and reductions in force strongly opposed, as we all know very well. In many of our political entities, a government job is regarded as almost a God-given right alongside life, liberty and pursuit of happiness. This attitude is the product of years of foreign administration, but we must honestly admit that it has been cultivated just as much, in recent years, by our own local governments. Observers have pointed out repeatedly that in nearly all Pacific island states, the island government is seen as an exclusive possession of the local ethnic group--a kind of occupational preserve for the locally born--all the more so if Asians or Westerners dominate the commercial and other sectors. Accordingly, an income from a government job can come to be expected as a prerogative of indigenous families. As a consequence, everything is turned on its head. The government is seen as a source of income for families that might not otherwise have work rather than as a system of public services to be maintained as efficiently as possible.

If you are seriously to address the issue of privatization, you will have to take a firm stand against this attitude and maintain the political will to pursue a policy of privatization against opposition that can be overwhelming at times. Of course, when I say this, I’m not telling you anything new, for you have already felt the heat. I am only exhorting you to stand tough in the knowledge that what you are attempting to do will be for the long-range good of the the people you serve, whether they know it or not.

Let me add that on an issue as controversial as privatization you can not afford to give mixed messages to your people. While threatening to identify government services for transfer to the private sector in the name of financial efficiency, you cannot permit other offices to remain staffed by unproductive persons whose main qualification may be the number of years that he or she has sat in the padded chair behind one of the larger desks in the office. Fair is fair. If the knife must be wielded to lop off certain services, it should cut not less deeply within those offices that remain under direct government jurisdiction.

Finally, I ask you to remember that all effective reform must start at the top. Trimming of health services, education, transportation, etc, is a necesssary and forward-looking step, but don’t be surprised if someone turns to you and asks an impertinent question or two. What is the legislature doing to streamline its own expenses? Is it prepared to undergo a reduction in size of its own as an economy measure? Are the legislatures larger than they have to be, or the legislative offices too crowded? Do the staffing cuts reach all the way to the uppermost echelons of government? Or are we sacrificing only the lower level employees: the school cooks and the maintenance staff and the security guards?

In one of our states, an assistant department head was asked to cut his staff by forty positions. So he summoned his people and informed them of the job cuts. He asked for their understanding and cooperation in carrying out this move, despite the hardships that it would bring some of them. Then he told them that his own job would be the first to go. How many others do you know prepared to emulate this model?

The socialist state is fast becoming only a memory--although a warm one for those of us who came of age during the 1960s and early 1970s. We can no longer realistically look to the government as the omnipotent force, that which will solve all problems and provide all good things. Although privatization should not be looked to as a panacea, you are certainly moving in the right direction and are positioned to take vital steps that could bring these island states out of a fanciful past into the present.

Best wishes as you deliberate on these vital issues in the days ahead.

Thank you.