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Openings in the body of 'capitalism': Capital flows and diverse economic possibilities in Kiribati

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Abstract: *Much of the post-development agenda is concerned with decoupling Eurocentric imaginings of development from development practices in 'remote' regions and exploring new forms of economy that can enhance local well-being. In the South Pacific (and elsewhere), small peripheral economies have confronted globalisation in varying ways. Some places, such as the Micronesian island state of Kiribati, have engaged directly with the global economy by investing capital generated locally in international financial markets rather than in domestic industries. Kiribati's trust fund, the Revenue Equalisation Reserve Fund, maintains a balanced portfolio of international equity and fixed income assets that produces a financial return, helping to augment Kiribati's other national income sources. In this paper we explore the results of capital flowing from Kiribati to global financial markets, noting that this alternative development practice can enhance local well-being.*

Keywords: *community economies*; *global capital markets*; *Kiribati*; *subsistence*; *trust funds*

Introduction

Until quite recently much of the research on the geography of finance has been concerned with the growth of capitalist financial services and the tracking of capital flows within and between developed industrial economies rather than on issues of economic development in marginal places. Yet geographical research into finance is of great relevance to the possibilities for alternative economic development pathways in so-called 'marginal' places where economic dynamics are being questioned and experimented with.[1] This paper builds on the suggestion made by J.K. Gibson-Graham (1996, 2006a) in *The end of capitalism (as we knew it)* that the financial sector, one of the putative agents of capitalist identity, might be seen as a potential *opening* in the body of capitalism, one that not only 'allows capital to seep out' but that also 'enables noncapitalism to invade' the body economic (Gibson-Graham, 1996: 138). We explore the case of the Micronesian state of Kiribati and its practice of investing locally generated capital in global financial markets through a national trust fund. The investment of the sovereign wealth funds of governments in the periphery in core capital markets rather than in stimulating local business activities, can, we argue, contribute to distinctive, place-based development pathways. Our study of Kiribati demonstrates that alternative development strategies can have the potential to guarantee a more direct contribution to the economic well-being of people and communities.[2]

The geography of finance literature has engaged tangentially with issues of economic development in marginal regions. There is, for example, a burgeoning literature on microfinance that focuses on mobilising scarce funds within the developing world for the purposes of investing in local development – usually in small- and medium-sized private enterprises (Brau and Woller, 2004). Underpinning much of this work is attachment to the familiar development dynamic – private business growth as the pathway to generalised well-being. Research on pension funds generated by workforces in

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developed economies and their investment to procure future benefits has explored the potential for these funds to act as a major source of ethical investment in alternative capitalist and socially beneficial activities. The findings show, however, that this potential is usually stymied by economic conservatism (Clark, 2000). In the face of the capacity to make an economic difference, even labour unions back capitalist growth as their foothold on the future. Research has also been conducted into offshore banking focusing on capital generated in core economies that flows to the periphery and returns again to the centre having avoided the regulatory appropriations of core states. Development practitioners are usually highly critical of small states that establish themselves as outlaw spaces – offering tax haven status – to try to leverage local development (Hampton and Christensen, 2002). Links to criminal business operations and the hostility of regulated states, let alone competition with countries such as Switzerland, make this a highly risky development strategy. In the Pacific recent crackdowns on offshore financial centres have further inhibited the growth of this industry (Rawlings, 2005; Sharman, 2005).

The financial case we want to focus on here involves resource and other windfall-based capital that flows in the form of trust fund investments *from* the periphery *to* the core. Capital generated from activities in the Pacific is invested in global financial markets, taking advantage of their large scale, to increase in value. The augmented capital then returns to the periphery where it can, in certain circumstances, have the potential to develop or sustain diverse non-capitalist economies. We are particularly interested in how reverse capital flows can strengthen community economies that are already supporting, if not totally sustaining, livelihoods directly in ways that are culturally valued. We take as our starting point the diverse economy in which many different transactions, including non-market as well as market exchange; forms of labour, including unpaid, differently remunerated as well as paid wage labour; and enterprises, including non-capitalist and alternative capitalist businesses (cooperatives, socially responsible firms, green enterprise, etc.) are seen to contribute to economic life (Gibson-Graham, 2006b: Chapter 4). Among this plethora of activity there are many ethically negotiated practices of interdependence that provide direct material well-being, that generate and distribute surplus, and that replenish a physical and social commons upon which community is based. Many mainstream development strategies, in the race to activate 'logics' of economic growth in order to raise standards of living, ignore community economic relationships and unwittingly contribute to their demise. We are interested in a revisioning of economy as a political and ethical space in which negotiated relationships rather than structural logics are seen to 'drive' development. We ask, can ethically managed trust funds indirectly support community economies that, while cash-poor, are culture and well-being rich?

Our case study is offered as a counterpoint to the classic dependency argument which sees capital engendering capitalism. In this analysis 'first world' funds are invested in the periphery where they expand through extortion and exploitation, returning to the centre as cheap raw materials and profits that fuel capitalist growth. We are interested in an 'other' anti-capitalocentric narrative in which investment in mainstream capital markets begets non-mainstream kinds of 'development' and in which the spatiality of capital flows reverses the usual directionality of the development/underdevelopment story. It is not that these narratives have no purchase – we just want to exemplify another possible pathway that illustrates the potential for diverse economic dynamics that emanate from the unfolding of contingent relationships rather than assumed logics.[3]

Capital flows and economic development

Non-renewable resource revenues, usually associated with mineral exploitation, form the basis of many small, marginal economies. Other potentially non-renewable resources associated with such economies are foreign aid, remittances from non-resident nationals or 'sovereignty resources', such as sale of passports, web domains or tax haven status. These non-renewable windfall resources are seen as inherently unsustainable over time, and certainly unstable and potentially unreliable foundations on which to build a self-reliant and robust economy that provides a high level of benefits to residents. Resource curse theorists, for example, argue that to found an economy on non-renewable resources is to predispose and prejudice policy-makers to make decisions that ultimately work against long-range economic development (Auty, 1993; Karl, 1997; Ascher, 1999). They point to the practice of withdrawing labour from renewable activities in agriculture and manufacturing, encouraging rent-seeking and provoking misallocation and corruption.

Clearly, resources themselves are not necessarily a curse. Development depends on the kinds of policy choices made about how to exploit the resources and how to invest and distribute the revenues that they generate (Karl, 1997). This policy terrain is, however, heavily influenced by dominant assumptions about development dynamics. For example, uppermost is the centred, productivist commitment (based on the experience of European nations) that the only way to develop and generate self-sustaining economic well-being is via investment in industrialisation and the expansion of private accumulation. This universalising commitment assumes that all places can (and should) develop in this manner. Thus, developing nations and other marginal places are encouraged to follow the same pathways, by progressing from being primary producers to becoming secondary and tertiary economies. Developing economies are expected to seek investment capital from surpluses in core economies. So development in marginal places is linked to retaining close ties with the core, but on terms most beneficial to the core economies, in which they exercise control over capital and provide it on their own terms.

The alternative to this mainstream process that we wish to explore here is a process of reversing the traditional flows of investment capital from core to periphery by examining how investment capital flowing *from the periphery to the core* can lead to economic outcomes that work in favour of developing economies (Pretes, 2005). Capital generated in marginal regions through resource extraction and other activities can be invested in core economies, producing economic returns that flow back to the peripheral economy as investment. A trust fund (or sovereign wealth fund) is the instrument by which this process can be facilitated.[4]

Trust funds

Trust funds are a mechanism by which *non-renewable natural* resources are transformed into *renewable fiscal* resources. A trust fund can save a portion of natural resource or windfall revenues and invest these to generate earnings while preserving the original fund capital. If earnings (or some portion of them) are reinvested into the trust fund, then the fund will continue to grow, even after resource revenues have stopped flowing in. The trust fund thus becomes a renewable resource, similar, for example, to a fishery, in which fund capital is analogous to the fishery's breeding stock and the fund earnings analogous to the harvestable part of the resource. If sustainably managed, trust funds, such as fisheries, will continue to generate a sustainable, harvestable yield in perpetuity (Pretes, 2005).

Trust funds have many advantages over the direct use of resource revenues. They promote:

1 Savings, by saving resource revenues that would otherwise be spent and possibly misallocated into immediate direct consumption;
2 Equity, by extending benefits of resource revenues over many generations or in perpetuity;
3 Income, by providing an additional source of budgetary income for the state;
4 Investment capital, by providing an additional or alternative source of investment capital;
5 Intervention, by helping to intervene in the economy to achieve state objectives, such as diversification or stabilisation; and
6 Macro management, by externalising windfall effects and preventing distortions arising in the economy.

The trust became an important modern institution because it is a convenient method for a small number of persons to hold property on behalf of many others (Sheridan, 1993). As the name implies, the rules associated with 'trust' funds enshrine a form of responsibility to the collective interest and as such open up a key economic arena – that of investment decisions and funds management – to ethical considerations outside of, and beyond, individual selfinterest. There is also an element of paternalism inherent in the trust fund mechanism that connects it with its feudal origins, when knights departing on crusades handed over the duty of care of their estates to trusted guardians. These guardians or trustees assumed management of the property on behalf of the knight's dependents or beneficiaries. As Hayton notes, in the 11th edition of his *Hayton and Marshall: Commentary and cases on the law of trusts and equitable remedies*:

> The interests of the beneficiaries are paramount and the trustees must do their best to hold the balance fairly between those beneficiaries . . . interested in income and those beneficiaries . . . interested in capital. Indeed, the trustees have a paternalistic function of protecting each beneficiary against himself. (Hayton, 2001: 6)

Unlike a corporation, the trust is not a legal person and cannot be sued. Trustees, however, are legally obligated to act prudently in the best interests of all beneficiaries when managing the funds or property entrusted to them.[5] How the collective is imagined (e.g. as the present beneficiaries or their descendants, or as the state as a whole or its individual citizens) and how the trustees position themselves with respect to the collective interest will influence their behaviour and that of the fund (Pretes, 2005).

What is clear is that there is considerable ethical room to move in the management of trust funds. In this discussion, we will use the term 'trust fund' to refer to moneys held in trust by a government (trustee) on behalf of the nation's legal residents (beneficiaries) (Duncan *et al.*, 1995). What we are interested in here is the different ways in which small and putatively economically marginal states have used trust funds in diverse development pathways. We take up the case of Kiribati, a small Pacific Island state that has employed a trust fund as a viable economic development strategy. Several other Pacific Island countries, including Tuvalu, Tonga and Nauru, have also used trust funds as an economic development option. Economic performance of these funds has, however, varied considerably, with the Tonga and Nauru funds approaching insolvency (if not already totally dissipated). Tuvalu's fund, like that of Kiribati, has performed well. Media attention has largely been given to the failed funds of Nauru and Tonga (e.g. Goodwin, 2003; Stewart and Chulov, 2003). In our discussion here, we hope to redeem the idea of trust funds as a viable policy option for small states.[6]

Case study: The Republic of Kiribati

The Republic of Kiribati is a Micronesian island state in the Central Pacific. The country comprises the Gilbert Islands (Kiribati proper), the Phoenix Islands and the Line Islands, including Kiritimati (Christmas Island). Prior to independence in 1979, Kiribati was part of the British Gilbert and Ellice Islands colony. Kiribati contains 34 islands, all but one of them coral atolls, with a combined area of 811 km^2. The total population is about 100 000 and consists primarily of Gilbertese, known as I-Kiribati. Nearly half the population lives on the capital island of South Tarawa. Kiribati's small land area and generally unproductive coral soils means that today, most of the nation's wealth is derived from offshore fishing licences granted to overseas fleets. Copra and seaweed are the most important domestic exports, and their production provides cash income for residents.

Kiribati is a low-income country with an estimated 2006 gross national income of about A$1240 (Atlas method in US dollars) or A$6230 (Purchasing Power Parity (PPP) method in international dollars) on a per capita basis (World Bank, 2008). The country has what Bertram and Watters (1985) have called a MIRAB economy – one maintained at higher than expected levels of economic performance by migration (MI), remittances (R), foreign aid (A) and bureaucracy (B) (see also Bertram, 2006). Almost all the resident population is engaged in aspects of a community (rather than capitalist) economy. Only about 20% of the working-age adult population is formally employed, and most of those hold jobs in the public sector (Throsby, 2001). The remaining 80% depend on a combination of subsistence (fishing and agriculture) and family support (from both resident and non-resident family members) for their livelihood. The generation of new wealth depends heavily on offshore income from fishing access fees, remittances and development aid, in addition to revenues from the country's trust fund.

Bertram has argued that 'conventional notions of what constitutes economic development cannot be applied mechanistically to the very small island economies of the Pacific' (Bertram, 1993: 257). Mainstream imaginings of development suggest that to be sustainable a country must be underpinned by productive activity that will generate revenue flows (cash income and taxes) 'within the territorial boundaries of the island economy itself' (248). But in the context of microstates, in which non-capitalist productive industry is important mainly for sustaining a subsistence base and cultural identity, Bertram proposed that: 'there are viable paths to modernity and welfare that do not rely upon a repetition of the European large-country model of industrialisation and primitive accumulation' (Bertram, 1993: 248). His alternative interpretation of development is that it can be 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. (Bertram, 1993: 248)

Economic sustainability will, in Bertram's view, depend on the ability of microstates to sustain revenues over the long term. For many microstates this means continued reliance on remittances and aid. But investing revenues in financial markets can also provide a means of sustaining this flow in the long term. In Kiribati, where the generation of new wealth depends heavily on offshore income from fishing access fees, the country's trust fund has played a major role in stabilising the economy and supplementing income flows from remittances and development aid.

Kiribati's trust fund

The Revenue Equalisation Reserve Fund (RERF, hereafter referred to as the fund) was established in 1956 when Kiribati was still a British colony.[7] It was the brainchild of Michael Bernacchi, the resident commissioner of the colony for much of the 1950s who oversaw the rebuilding of the country after its devastation during World War II and took seriously the need for the colonial administration to demonstrate concern for locals' welfare and lack of exploitation (Macdonald, 1982: 173).

The trust fund began in 1956 with A$555 580 provided by the colonial administration. The source of the trust fund capital was royalty revenue from mining the extensive phosphate deposits on the island of Banaba (Ocean Island) to supply Australian and New Zealand farmers with cheap fertiliser. Phosphate mining had begun on Banaba in 1900 and continued until 1979 even after the removal in 1945 of all Banabans to a new home on the island of Rabi in Fiji (at that time another British colony). The devastation of the Banaban's social and natural environment was an act of violence justified by developmental 'logics' that economically and ethically valued land and its mineral potential over and above livelihoods and their human potential (Teaiwa, 2005). From 1956 to 1979, 25% of phosphate revenues from the Banaba mines were deposited into the fund.[8] Mining ceased when Banaban agitation, falling world phosphate prices and depleting reserves convinced the newly independent Kiribati government to close the mines.

The fund has grown considerably since its inception and in 2000 reported a balance of A$658 million. Table 1 includes selected statistics for the RERF, including assets, earnings and drawdowns.

These figures show that since 1956 the fund balance has been growing steadily because of an increase in the value of the assets as well as the redeposit of earnings into the fund. From 1989 to 1997, when copra and fishing revenues were low, withdrawals (drawdowns) from the fund helped augment the Kiribati budget. From 1998 onwards, increased fishing revenues and other factors have eliminated the need for drawdowns. Despite an increase in Kiribati's population, the per capita value of the fund, as well as the per capita value of its earnings, has continued to grow.

At present all fund assets are invested offshore by two London-based fund managers who aim for an equal balance of equity and fixed income investments, with about 46% in equity investments and about 54% in fixed income assets, as of 2002 (State Street Australia Ltd, 2002). Investments are based on a balanced portfolio that

Table 1. Selected statistics on the Kiribati Revenue Equalisation Reserve Fund (RERF), in A$ millions (except per capita)

Year	RERF balance	RERF income[a]	Deposits	Drawdown	Return[b] (%)	Population	Per capita value	Per capita income
1956	0.55	—	—	0	—	42 000[c]	—	—
1968	1.6	—	—	0	—	54 000[c]	—	—
1979	68.0	—	—	0	—	57 100	1192.9	—
1989	185.9	29.9	0	5.0	7.1	70 389	2641.0	424.8
1990	220.4	38.6	0	4.0	7.2	72 335	3046.9	533.6
1991	261.1	42.3	0.4	2.0	6.7	73 465	3554.1	575.8
1992	295.8	28.7	12.5	6.5	6.5	75 146	3936.3	381.9
1993	353.4	63.0	0	5.5	5.7	75 901	4656.1	830.0
1994	318.3	63.2	0	4.4	4.6	76 737	4147.9	823.6
1995	367.9	20.5	0	3.5	4.0	80 169	4589.0	255.7
1996	371.8	22.0	0	5.6	4.5	81 612	4555.7	269.6
1997	458.9	36.9	0	8.0	4.6	83 081	5523.5	444.1
1998	570.1	72.0	0	0	4.4	84 577	6740.6	851.3
1999	601.5	54.5	5.0	0	3.6	88 000	6835.2	619.3
2000	658.0	58.9	0	0	4.0	92 000[d]	7152.2	640.4

Source: Pretes (2005).
[a]Including interest, dividends, and realised currency and capital gains and losses.
[b]Interest and dividend rate of return (does not include currency and capital returns).
[c]Includes Tuvalu (Ellice Islands).
[d]Estimate.
—, not available.

aims for maximising income while reducing risk (there is no conscious socially- or environmentally oriented investment policy). Assets are held in various currencies with half denominated in Australian dollars (also the currency of Kiribati). Fund assets held in other currencies helped increase the value of the fund during the 1990s as the Australian dollar depreciated against many currencies (Asian Development Bank, 1998: 52). Almost none of the fund's assets are held in Kiribati itself. The fund is administered by a committee, which consists of the Minister of Finance (chairman) and five other senior officials, and parliamentary approval is needed for all drawdowns. These good governance practices are important in the successful performance of the fund and set it (and others) apart from the funds of such places as Nauru and Tonga which have veiled their investment practices in secrecy. The open and transparent nature of the Kiribati fund's management has prevented unethical investment practices and helped the fund play a positive role in Kiribati's development.

Prior to independence, all income generated by the fund was saved and reinvested, thereby expanding the fund base. Upon independence, Kiribati was successful in convincing aid donors that fund capital would not be considered in aid decisions (Macdonald, 1982: 273). So while aid still is sought for large capital projects such as building new roads and hospitals, trust fund incomes are used to supplement recurrent government revenues. Importantly, in Kiribati the function of the fund is to stabilise government revenues, especially at times when copra prices and fishing revenues are low. At these times the government is authorised to make drawdowns against fund income. As already mentioned the government did this annually between 1989 and 1997, when about 13% of earnings were removed. Table 2 illustrates how the RERF drawdown is used to augment government revenues. It shows that personal taxes comprise only a small portion of government revenues, whereas import duties and fishing licences constitute the bulk of the nation's income. The RERF drawdown acts as an additional income source (in this year, twice the amount of personal taxes). Between 1998 and 2000, no withdrawals were made from the fund. The fund income thus provides the Kiribati government with a cushion against downturns in its resource industries. Redeposit of fund earnings ensures that the fund continues to grow.

Table 2. Kiribati government revenue sources, 1997, in A$ millions

Revenue source	Amount
Corporate taxes	2.5
Import duties	10.0
Fishing licences	29.4
Passports	4.0
Personal taxes	4.0
RERF drawdown	*8.0*
Other	3.0
Total	60.9

Source: 1999 budget, Government of Kiribati, Tarawa. RERF, Revenue Equalisation Reserve Fund.

Clearly, the fund allows the Kiribati government a degree of self-sufficiency unmatched by most other developing countries. The government does not need to borrow from abroad to finance deficit budgets, and it does not have to levy heavy taxes on the population – personal taxation accounts for less than 10% of total state revenues. Having the additional cushion of fund earnings also allows the Kiribati government to subsidise services in the outer islands, which are remote and distant from Tarawa and thus expensive to serve.[9] An inter-island airline, freight service, communications, power and health services are among the public goods supported in part by fund income. As conversations with I-Kiribati in Kiribati revealed, to some extent the provision of these services prevents outer islanders from migrating to crowded South Tarawa (Pretes, 2005). Moreover, the income provided by the fund means that Kiribati does not have to over-exploit natural resources (such as fish)[10] or turn to activities such as offshore banking that may cause resentment in countries that are the source of banking capital. Given the remote location of Kiribati and its very limited land area and poor soils, the trust fund has done much better in providing opportunities for an acceptable quality of life than similarly resource-limited places without a trust fund in the Pacific.

Kiribati's economy depends heavily on subsistence agriculture and fishing. The Kiribati Statistics Office conducted three household surveys in 1996 in order to determine income and expenditure patterns in the country, using the islands of South Tarawa, Onotoa and Butaritari as case studies (Kiribati Statistics Office, 1996a,b,c; Asian Development Bank, 1998). These surveys found that expenditures on food on the three islands were similar, but that the two outer islands of Onotoa and Butaritari had much lower percentages of income spent on fish and meat (about 18% of total food expenditure on Tarawa, but less than 8% on Onotoa and Butaritari). Household income on South Tarawa was A$268 per fortnight, on Butaritari A$93 per fortnight, and on Onotoa A$10 per fortnight. These figures indicate the much higher dependence on self-provisioning on the outer islands.

Customary practices of gifting, sharing and reciprocity are still viable within family groupings and local communities. Borovnik (2006), for example, discusses how remittances from seamen enter into the *bubuti* system that 'obliges family members to give each other goods or money when it is requested' and that 'ensures the equal distribution of surplus made by a family' as well as contributing to *botakis*, or special occasions celebrated by families and communities (156). But while customary practice and household self-provisioning can continue to sustain a basic livelihood of self-sufficiency, it cannot, as the Asian Development Bank notes, 'produce the funds needed to purchase imports of fuel, machinery, and the other items that are now essential components of the I-Kiribati lifestyle' (Asian Development Bank, 1998: 187). There is no doubt that I-Kiribati have been increasingly integrated into a cash economy since the 1920s, when missionary and colonial influence led to a rising demand for imported clothing, foods and other goods such as pots and pans, knives and axes, and soap (Schutz and Tenten, 1979). The cash economy has altered I-Kiribati society in substantial ways. Even as far back as 1979 Talu and Tekonnang note:

> Parents are eager for their children to be educated, not for what it will do to them, but because it will enable them to obtain jobs which bring home money. It is also changing their attitude to marriage. Formerly, parents wished to see their children married so they could have grandchildren; today some people are opposing marriages because this cuts off a source of income for them. In quite a few cases money has taken precedence even over land values. Many cases are known of people who have sold their land to buy a motorcycle or other assets. (Talu and Tekonnang, 1979: 163)

I-Kiribati of today are well connected to the modern world and thus have need of cash and imported goods to supplement their subsistence-based household economies. The question arises, how much? It could be that relatively small amounts of cash provided on either a collective or individual basis could have significant effects on this tiny island economy.

The mainstream development response to the country's need for cash income is to recommend an expansion of the private sector (Duncan *et al.*, 1995; Asian Development Bank, 1998; Bertram, 2006). But while development institutions such as the Asian Development Bank see encouragement of private business as the solution (because of the perceived need for formal employment), it notes that past efforts to develop productive industries 'have been disappointing' (Asian Development Bank, 1998: 187). It also notes that while 'the people of Onotoa and Butaritari seem to be able to maintain an acceptable standard of living with minimal cash incomes' (65), the need for cash to finance children's education and other goods has prompted many to relocate to South Tarawa in order to find paid jobs.

Support for outer islanders to stay *in situ* has been built into the state-regulated copra pricing mechanism. Most I-Kiribati depend on the production of copra for part of their cash income. The Kiribati government's policy guarantees the same copra price to all producers, on whatever island they may be located, and the price paid is not means-tested. This has the effect of reducing differences in incomes between producers on outer islands and those on South Tarawa, equitably distributing that income to all (Asian Development Bank, 1998: 190).

In the face of development dilemmas such as the need for cash, the scarcity of paid employment and the vulnerability of urban environments, we would like to raise the possibility of another state-led intervention that might support the community economies of I-Kiribati. Trust fund dividends could be used, at some future point, to provide a cash supplement to subsistence livelihoods. If distributed as dividends to individuals or collectivities, some portion of trust funds could provide a basic cash income to I-Kiribati. Such a possibility would depend on fund earnings becoming large enough – as determined by fund trustees – to make payments from fund earnings.[11] This suggestion is prompted by the situation in Alaska where trust fund dividends are distributed in varying amounts (based on fund earnings) to each citizen per year. Subsistence-based rural communities with high proportions of indigenous residents are in effect supported to remain in place while maintaining adequate living standards (Pretes, 2005).[12]

In Kiribati, transfer payments through the trust fund might help encourage those people who would like to remain on outer islands, thereby reducing overpopulation and consequent urbanisation problems in South Tarawa. At the moment the RERF generates about A$640 per capita. A redeposit of at least a portion of this revenue is needed to maintain the fund's real value and offset inflation. In the future, if fund earnings continue to rise, then a portion may be available for dividend payments. The amount available could be enhanced by an increase in Kiribati's fishing licensing fees, as proposed by Pretes and Petersen (2004), in their study of fisheries policy in Kiribati. This hypothetical suggestion is offered in the spirit of rethinking development dynamics and the growth imperative that is under such critical examination in the current context. We welcome further analysis and discussion with citizens and political representatives of Kiribati and others interested in the possibilities of alternative, non-growth but well-being oriented development pathways.

Conclusion

The post-development agenda signals the unhinging of notions of development from the European experience of industrial growth and capitalist expansion, the de-centring of the economy from core 'productive' sectors and the de-essentialising of economic logics as the motor of history (Gibson-Graham, 2005). We have argued here that what is interesting in the Kiribati case of trust fund usage is that a small nation has been able to use global finance markets to translate a non-renewable resource into ongoing and renewable fiscal support for a diverse economy made up of independent subsistence farmers and fishers and public servants. It is not our intention to minimise or forget the cruel colonial dispossession and displacement of a whole island population that lies at the origins of this fund. To do so would be to ignore the real nature of economic interdependence whereby Australian and New Zealand advanced agricultural development (and all the benefits that flowed on to the citizens of those nations) was bought at the expense of others' underdevelopment. Yet by acknowledging the (un)ethical nature of economic decisions of the past, we are provoked to construct ethical economies in the present. In this paper we have outlined the ways that Kiribati's RERF could be seen as an ethically negotiated economic institution that offers the rest of the world a way forward towards such different presents and futures.

While there is still much to be done in improving the quality of life for people of this island nation, Kiribati's trust fund has been considered a success by a variety of analysts (Toatu, 1993; Asian Development Bank, 1998; Throsby, 2001). There is evidence that the health of the average I-Kiribati has improved during the past two decades, and that the Kiribati government has been able to maintain a high level of health expenditure (Asian Development Bank, 1998: 192). With a window of phosphate revenues lasting only from 1900 to 1979, preceding Kiribati's independence, the fund has grown through good governance and responsible investment to hold assets of A$658 million, or about A$7152 per capita, increasing by a factor of 10 during the independence period. The fund's trustees have chosen to mitigate the disadvantages of the country's peripheral position by engaging directly with global financial markets. Using fund managers based in London and Sydney, Kiribati has built up a portfolio of offshore investments that provides an annual income that assists the country when it experiences budget deficits. In doing so, Kiribati avoids having to impose or increase taxes on its subsistence-dependent population and avoids the need to request aid from international donor agencies, placing it in debt and in a position of dependence.[13]

In a country where non-capitalist economic activities act more as a marker of cultural identity and provider of necessary subsistence than as a generator of surplus wealth that could be developed, or made more productive, the prudent management of the Kiribati commons (phosphate royalties) affords a surplus garnered from developed world investments that is redistributed to I-Kiribati as a public good. If, as a post-development orientation encourages us to, we loosen the discursive grip of unilinear trajectories on all narratives of change and abandon hierarchical valuations of cultures and economic practices, we can see this case as one small example of an economic dynamic that fosters difference of a sustainable and perhaps desirable sort. Capital generated years ago on the remote Pacific island of Banaba is now being invested throughout the world, and Kiribati has transformed a local, non-renewable resource into a renewable one that supports community economies and could have the potential to stimulate new and equitable kinds of place-based development.

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Notes

1 We are consciously attempting to generate a post-development analysis that deconstructs the binary hierarchies implied by the terms 'developed' and 'marginal', and 'core' and 'periphery' (used later in the paper). To set up our argument, however, we must situate ourselves with respect to the literatures on dependency, underdevelopment and financial globalisation in which these capitalocentric terms are still used to describe economic difference.

2 The Kiribati analysis is drawn from Pretes (2005), in which trust funds in four Pacific Island nations and two large North American provinces were submitted to detailed comparative analysis.

3 It is our adherence to the performative nature of research that pulls us towards this kind of analysis. There are similarities here with Bertram's metaphor of the kaleidoscopic process as a way of thinking about the contingency and path dependency of island economic development (Bertram, 2006: 12). We take the anti-determinism implied by Bertram's metaphor one step further by acknowledging the role that discourse plays in creating the effects that it names (Butler, 1993: 2). We too have given up on the fantasy of predicting the future, but are very much interested in helping to construct diverse and just futures.

4 A sovereign wealth fund generally refers to a large pool of investment capital under the control of a national or subnational government and which is invested offshore, whereas a trust fund also contains the idea of investments being held in trust for beneficiaries (the citizens of the place) and thus is subject to additional controls and investment guidelines.

5 The relationship between trustees and beneficiaries in a trust is very different from that between directors and shareholders of a corporation. The fact that a corporation is a legal person and can be sued can create a sense of immunity among the corporation's executives and managers, whereas the trust principle restricts greed because the decision-makers do not themselves profit from increases in the value of the trust: they are helping others, not themselves.

6 Other small states, such as Timor-Leste (East Timor), may benefit from lessons learned in the Pacific.

7 Much of the data for this section were collected during fieldwork on the part of the first author in Kiribati in 2002. Persons interviewed at this time included the Chief Economist of Kiribati, the Permanent Secretary of Finance (both of whom are members of the trust fund board), several consultants to the trust fund, the Australian High Commissioner in Kiribati and others, including members of the general public. Data were also collected from the Kiribati Ministry of Finance files.

8 During the first 13 years of mining on Banaba (1900–1913), the mining concession held by the Pacific Phosphate Company made a total profit of more than £1 750 000, of which less than £10 000 was paid to the Banabans. In 1913, under British government pressure, increased rentals, compensation payments and royalties were paid to the Banabans, and a Banaban trust fund was established. This fund received half of the royalties paid by the mining company to the colonial government and was used to finance the relocation of the Banabans to Fiji (Macdonald, 1982). The Banaban fund served as the model for the RERF.

9 See Ward, 1999 for a discussion of main island and outer island relative costs.

10 Thomas (2002: 163) notes that the inshore fishery 'currently satisfies both subsistence and local commercial needs'.

11 This topic is explored in greater detail in Pretes and Petersen (2004).

12 Emery and Pierce (2005) outline the extent of current subsistence uses of US forests such as those in much of Alaska. They point to the need to protect the sustainability of these practices via sensitive forest policy. The cash payment received by all Alaskan residents is one factor that might contribute to this sustainability.

13 As Teiwaki asserts, foreign aid is a 'strategy by the metropolitan countries to exert their influence in national politics', and the conditions of foreign aid 'tend to undermine national sovereignty' (Teiwaki, 1988: 153).

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