National Competition Policy and (the) public interest

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Abstract
Contemporary public sector reforms in Australia have been dominated by efficiency, productivity and contestability considerations captured in National Competition Policy (NCP). Both in the reform process in general and in the NCP processes in particular, the lack of priority attributed to non-economic concerns such as coordination, equity, representation, political accountability, consultation and distributive outcomes has been a serious omission. The idea of public interest, once central to democratic public administration, has re-emerged to challenge the perceived excesses of economic rationalism as the unifying idea of reform. Although public interest stands in a long tradition in public administration, it is a complex and contested idea which requires significant development if it is to have policy utility in the reform process. Nonetheless public interest may be viewed as an analytical frame which enables a rebalancing of the ideas which influence policymaking. In this paper it is argued that substantive situational manifestations of public interest can be used to complement rather than undermine the efficiency, productivity and contestability objectives of public sector reform.

Overview
After two decades of reforming, re-engineering, re-structuring and re-inventing the public sector, a diverse collection of countries can point to experiences ranging from privatisation to re-nationalisation. Ever present in the rhetoric of these changes has been governments’ demand for greater efficiency and effectiveness from their public agencies. Efforts to achieve this have included a variety of market-oriented policy instruments which have introduced contestability into the modus operandi of public organisations. This management principle encourages, identifies and measures price and performance using comparative techniques such as competition or benchmarking. This paper adopts this broader definition, rather than the narrower...
economic approach which equates contestability to the ease with which a new player can enter a market. This paper argues that the application of this narrow definition has led to the functional exclusion of social considerations because it fails to locate public interest as a necessary component of the policy process. On the other hand, while many policy documents in the reform process refer to public interest (or related ideas such as ‘community service obligations’) as a central consideration in the reform mix no definition of this capable of implementation has emerged. The result is that public interest, which was once the glue of public policy has disappeared from public sector management.

In fact the failure of political scientists to clearly identify public interest may have made them unwitting collaborators in this process. The textbook approach has been to assume a causal relationship between public interest and the political process with the implication that public interest outcomes were guaranteed by the observation of due process (Corbett 1992:194–5). With the implementation of NCP, however, due process has tended to be narrowly focused on cost efficiency. In this context the assumption of a causal connection between due process and public interest outcomes appears naive.

As critiques of the outcomes of the reform process have gained momentum, policy players from politicians to community groups have begun calling for the restoration of public interest as a general utility of public interest as a policy tool in the current policy debate may be seen in its potential to balance private interests and the dominance of efficiency ideas within the broader responsibilities of governance and social goals.

Political scientists have typically recognised the specific problem of politics in the issue of how to combine both private interests and public interests (Stone 1988:16) and therefore capture both private and public benefits in the processes of government. In the Australian public sector reform process to date, however, in the absence of policymakers addressing this puzzle of public interest, the narrowly economistic ideas of technical and allocative efficiency have predominated. One result is that public sector reform processes have been limited by a failure of vision and have omitted public interest considerations which traditionally enjoyed both normative and a priori status in public policy.

This is nowhere clearer than in the National Competition Council’s 1999 attempt to ‘promote community understanding and informed debate on NCP’, thus asserting that ‘NCP reforms will bring—and are already bringing—important benefits for Australians’ (NCC 1999:vii). It also notes the breadth of the public interest test incorporated in the NCP framework. It is, however, consistently driven back to narrowly economic definitions in which ‘the strength of competition policy lies in its capacity to improve productivity and economic efficiency’ (NCC 1999:5). While this may be true, it does not address...
the point that the weakness in NCP lies in the lack of policy to improve or even maintain social outcomes. In terms of practical management of the NCP processes this is attributable to the absence of a definition of public interest capable of implementation in ways which preserve the social goals of policy.

This paper seeks not merely to redefine public interest in conjunction with rather than in opposition to the idea of contestability and its various instruments (National Competition Policy, competitive tendering and contracting) but also to suggest factors which may provide a basis for judging its relevance for today’s public sector managers.

The dichotomy this paper addresses has both theoretical and practical aspects and revolves around the question of determining the ‘proper’ basis for public policy in a democratic polity. On the one hand the old concept of the public interest is bankrupt, fought over by public policy combatants each trying to capture it for their own use and outflanked by politically ascendant, market-oriented conservatism. Historically public interest held normative status as a central framing concept of public administration associated with the democratisation of government (Lindblom 1968:11–17). Its traditional definitions—what citizens have in common, what they want for their communities and what is good for their communities (Stone 1988:14–5)—provide no universality all being subject to circumstantial and sectional judgements. In practice it has been the role of the bureaucrat to ‘use his [!] best judgement as to what is in the public interest’ (Lindblom 1968:76) assuming that the public interest was a single unitary phenomena which a public servant would be able to identify in any circumstance. The view that this was not a proper basis for public policy in a democratic polity was the focus of public choice theory and practice which discredited public interest so thoroughly during the Regan and Thatcher administrations (Buchanan 1986). One result is that public interest has almost completely disappeared from policymaking and implementation.

On the other hand, the recent obverse of public interest, contestability, is incomplete as a unifying reform idea precisely because it omits social goals. Contestability has been largely framed as a narrow construct of facilitating market entry and its main instruments to date, competitive practices such as contracting out, have been unable to accommodate non-economic considerations. Our argument elsewhere has been that while contestability does need to be demonstrated through competitive processes, the latter have often been introduced into public agency management in ways undermining their effectiveness precisely because they leave out any consideration of what we have seen as the ‘social market’ (Adams and Hess forthcoming). This involves a broader conceptualisation of contestability. It includes factors such as accountability, choice, best practice and value—all of which can be subjected to some form of quantification. Crucially, however, it also includes an iterative and learning policy process in which policymaking networks become the functional organisational form (Rhodes 1998). These networks become central to the sustainability of the reformed policy process because they contribute to it a qualitative element. While this is difficult to measure it is essential to the success of reform because it is in the networking that a process of consultation becomes possible which re-introduces the social aspects of policy by involving those whose lives are affected most directly. Where such factors are omitted, policy processes are incomplete and governments run the dangers of neglecting policy impacts on the very people particular policies are designed to serve and of experiencing a consequential electoral backlash.

Perhaps this ‘third way’—between the old public interest and the new market processes—can be considered the social equivalent of the level playing field. The purpose here is to examine that possibility and to clarify a basis upon which judgement regarding public interest can be made within the parameters of the reform agenda. This is undertaken in the first instance by reference to NCP which has been the principle policy vehicle for the introduction of contestability as a central consideration in Australian public sector micro-economic reform.

**National Competition Policy, public interest and contestability**

In 1995 the Council of Australian Governments (COAG) reached binding agreements by which the
various state and territory administrations undertook the adoption of National Competition Policy (NCP) as the key to micro-economic reform. In some policy areas and some of these jurisdictions, NCP-related reforms were already in progress. As a result, there is now sufficient experience of this process—particularly in Victoria—to indicate a need for reconsideration of the meaning and scope of contestability. The most general problem to emerge from this experience is that the narrowly economic definition of contestability (enabling multiple entrants to a market to meet specified needs) omits social factors and, despite its rhetoric, functionally excludes public interest considerations. This narrow definition emphasises the role of contestability as a management tool which focuses on the separation of purchaser and provider to increase (mainly technical) efficiency amongst suppliers. The main instrument used is competitive tendering by the purchaser which focuses attention firmly on cost issues.

Contestability can, however, be more broadly described as one response to the question: How can governments ensure that services provided to people are of high quality, accessible, responsive to the needs of their users and at the same time provide value for money and are transparent and accountable? Contestability here is about a broader range of principles and instruments which focus on choice and accountability and in which the narrow view of cost efficiency is only one option. In this broader formulation of contestability the process as well as the outcomes of policy, become crucial considerations in the achievement of sustainable reform (Adams and Hess forthcoming).

In Australia, National Competition Policy (NCP) has been seen as the key to micro-economic reform. The central feature of the NCP is its focus on competition reform ‘in the public interest’. In this respect, the overall presumption is that competition, in general, will promote community welfare by increasing national income through encouraging improvements in efficiency. At a theoretical level this has been criticised for adopting Liebenstein’s ‘X-efficiency theory’ (Liebenstein 1966) with its assumption that competition of itself generates ‘dynamic efficiency’ without taking into account Stigler’s warning (Stigler 1976) that total competition may derive its ‘benefits’ only from the extent to which it leads to an increase in the intensity of labour. The cost savings claimed for competition may then be seen as transfers, rather than as net savings, arising from ‘wage reductions; increased work intensity; reduced service quality; cost shifting; and the abandonment of community service obligations’ (Quiggin 1995:49).

The real theoretical failure of the National Competition Policy, however, derives from its failure to define any practical role for public interest. This is not to say that public interest is not present. On the contrary, it is repeatedly referred to but because it remains undefined it cannot be part of the implementation of the policy and is therefore left out of the practice. In its own rhetoric the guiding principle of the policy is that competition should not be restricted unless there is an overall public benefit in doing so. The NCC explicitly argue that the public interest test is included ‘to assess in an open and objective way whether a particular reform should proceed’ and that ‘the assessment of these [public interest] factors gives equal weight to economic and social considerations.’ (NCC 1999:5). There is, however, an absence of guidelines for assessment and an absence of adjudication criteria.

It is worth noting that the rhetoric of NCP has been specific in including the view ‘that competition policy is not about maximising competition per se, but about using competition to improve the community’s living standards and employment opportunities’ (Commonwealth of Australia 1996:4). In this way the National Competition Council (NCC) has itself raised the problem of assessing public interest but, having thrown down the gauntlet by establishing a highly prescriptive approach including the rhetoric of public interest, it has provided no a priori definition of public interest which could be applied across the board. In fact the NCC has specifically indicated that the key factors in determining the nature and extent of public interest will be situational (Commonwealth of Australia 1996:8) so that the conditions for serving public interest must be judged on a case-by-case basis.
The logic of the assertion that public interest must be assessed situationally is that it is local area managers who must make judgements about its content, priority and implementation. In practice this gives line managers an impossible task. Not only have they been given no substantive definition of what public interest represents within the NCP framework but they are called upon to undertake the complex task of integrating it into their organisational practices without any set of managerial instruments. The only substantial guidance provided to make this detailed judgement is the suggestion that the ‘net benefit to the public’ test might be borrowed from the Australian Competition and Consumer Commission’s interpretation of the anti-monopoly provisions of the Trade Practices Act (Commonwealth of Australia 1996:9).

To be fair, the NCC is not alone in having failed the challenge posed by what has become the customary demand for the application of an undefined public interest to the process of reform. The task of supplying the definition is difficult in itself, but must be seen as a pre-requisite for the even more problematic tasks of judging and applying public interest in given policy environments. The ontology and epistemology of public interest has been a central puzzle of democracy for centuries and throughout this history has been an essentially contested idea. The task of definition has been made more difficult in the environment of current public sector reform in which the underlying ideas arise from markets and public choice reasoning. This way of thinking about interests is not only characterised by the pre-eminence of the economic paradigm with its myopic emphasis on measurement, but has a history quite distinct from the centuries of reasoning about public interest.

The argument in this paper is that in policy terms the attempts to date to incorporate the public interest within the competition policy framework have lacked policy coherence because they have attributed the economic reasoning of market competition to the essentially political phenomenon of public interest. This conflation of economic and political concepts has resulted in explanations of the role of public interest which are confused, confusing and in any case impossible to implement. Before looking at what this has meant in practice it is worth reflecting more broadly on why public interest has historically been a major factor in policy and how it is being re-constructed in contemporary debates.

What is public interest?

We view the re-emergence of public interest as the next stage in a contest over meanings and directions of public sector reform. Public interest is essentially an idea with a history closely aligned to democratic public administration. The most consistent elements that emerge from the historical debates about public interest are that public interest considerations are contrasted with private or sectional interests and, that public interest considerations make claims to underlying ‘common’ social values as the basis for justification of action. We should not, however, assume that the re-emergence of public interest on the policy agenda will simply be an attempt to impose these historically tested views. Recent commentary points to the likelihood that various policy networks will attempt to capture the idea as part of their attempts to shape institutional and individual behaviours (Pusey 1991; Colbatch 1998; Reich 1988). In this commentary it is notable that actual definitions of these norms have tended to be strongly influenced by subjective factors reflecting claims that particular sectional views represent the public interest.

The new discourse of public interest is emerging in two forms. The first claims normative status for public interest which is seen as representative of the good of ‘society as a whole’. The second locates public interest in the proper functioning of the policy process itself implying that as long as due process is followed outcomes will accord with public interest.

Typical of the former is the framing of the contemporary form of public interest in formal and normative economic terms, often accompanied by a disclaimer of this narrow intention. The characteristic assumptions here are that public interest can be quantitatively valued, that this may best be done through costing and that the results can be universally applied in the interests of ‘society as a whole’. This approach is evident in the way policy documents link the application of the ‘public benefit test’ to the achievement of the aims of NCP.
So the Queensland Treasury guidelines for Competition Policy implementation specify that the ‘public benefit test’ will not be restricted to issues of economic efficiency. Assessments will also outline the likely distribution impacts among individuals and groups of individuals in society. This approach requires the identification and measurement of the impacts of a change (positive or negative) on any affected individual or group, in addition to the determination of the net change in society’s economic welfare, defined as the Net Impact of the change (Queensland Treasury 1997:23).

Here the result of the attempt to re-construct public interest within an economic rationality, not only reduces it to only those factors which can be measured, but is simply incomprehensible as a guide to policy activity.

There is also a formulation of a normative position which may be seen as the other side of this economic rationalist approach: using public interest as a normative response to the perceived excesses of economic rationalism. In this approach the public interest is being invoked as a universally applicable benchmark to oppose the market orientation of economic rationalism. Here normative claims about loss of equity and justice may be coupled with specific empirical examples of social costs associated with reform implementation. The use of public interest in this sense can be seen as part of a more diverse discourse emerging around social capital, social cohesion and community building as alternative framing ideas for the role of government and the relations between governments, communities and markets (Latham 1998; Self 1993).

A second use of public interest in the current debate defines it as a consequence of procedural justice. Under this rationality as long as due process is followed it may be assumed that outcomes will be compatible with public interest. In this sense public interest becomes a situational and utilitarian rather than an a priori idea. An interesting aspect of this is the use of the Trade Practices Act public benefit test to define public interest as

anything of value to the community in general, any contribution to the aims pursued by the society including as one of its principal elements…the achievement of the economic goals of efficiency and progress (Commonwealth of Australia 1996:8).

This reduction of the public interest to the outcomes of ‘due process’ removes any reference to the distinction between private and public interest and any reference to underlying ‘common values’. There is a potential here for the quantitative processes to so completely capture decision-making that it loses sight of the social goals of policy. Thus, for example, if NCP is implemented in accordance with due process in which the emphasis is on costing, its outcomes may be regarded as compatible with the public interest regardless of their actual social impacts. It is clear then that there is considerable confusion about the need, possibility and procedures by which public interest is identified and applied in the current policy climate. The significant fact is that, despite this confusion, calls for the implementation of public interest are increasing. These demands are themselves confused with few proponents of ‘the public interest’ bothering to define it and most assuming that it accords, or will be seen to accord, with their desired policy outcomes.

The idea of public interest has quite a clear history as a basis for policy, and any attempt to use it without an understanding of this background will not only be ahistorical but also runs the danger (or perhaps has the intent) of being confusing. Like many public policy initiatives, the idea of public interest arose from perceived shortcomings in practice. For the purposes of this paper, three of these are identified. The first addresses the economic impacts of market failure. An oft acted upon example is the tendency for monopolistic practices to emerge in the market (Stretten and Orchard 1994). While these typically operate to the advantage of some individuals and groups, they arguably disadvantage others. Public interest based policies to counter monopolistic tendencies have been implemented in most market-oriented economies. In Australia, the provisions of the Trade Practices Act and the activism of the ACCC are evidence of the persistence of the need for regulation to preserve public interest against the impacts of market failure.

The second area of practice addressed historically by public interest involves ameliorating the
social impacts of disadvantage (Finer 1932). Within every community some individuals and groups are disadvantaged by physical and/or social factors. These include geographic remoteness, physical disability, gender, race, ethnicity and age. Here the central policy issue for public administration has been equity as opposed to equality of access (Tawney 1952:39). So the classical defense of social welfare policy has been that it is a matter of public interest that citizens be protected from ‘natural’ disadvantage and that state intervention is an appropriate means of achieving this. Therefore it can be argued that any ‘devaluing of the public sphere makes it difficult for governments to identify or serve the ‘common good’ (Jamrozik and Nocella 1998:97).

The third source of public interest is more purely political and goes to the question of democracy. The seventeenth century political theorist John Stuart Mill identified the idea of a rational, non-political, hierarchical administration as central to the development of democracy (Mill 1968). Max Weber’s historical analysis of the development of bureaucracy saw it specifically in terms of securing the public interest through the operation of a neutral cadre of civil servants responsible to elected representatives of the people (Weber 1991:196–252). Weber viewed this ‘legal, rational authority’ specifically as a corrective to the whimsical and personalised authority of autocratic government which had no capacity for public interest. A possible implication of Weber’s analysis for contemporary situations where government loses or gives up the capacity to act on public interest considerations, is that government thereby turns its back on the foundations of democratic practice and becomes increasingly autocratic.

Subsequently commentators have argued that this identification of bureaucracy with public interest was flawed by bureaucrats displaying ‘irrationality’ and ‘bounded rationality’ (Simon 1945; Lindblom 1959), while others have questioned the extent to which public servants have pursued their own, rather than any public interest (Mueller 1989). It is clear, however, that for decades the identification of public interest with the public service was normative in democracies, with the whole weight of institutional liberalism legitimising this identity. Perhaps it was easy to equate the two during the post-World War II era of economic growth and social development when public interest could be equated with ‘more’—more housing, more roads and more of the welfare state. In western market-oriented democracies, public interest was seen to legitimately lie with politicians and bureaucrats who promised and provided ‘more’. It was not until the fragmentation of politics in the 1970s and the loss of legitimacy of the welfare state that both the policy outcomes and modus operandi of liberal democracy were seriously questioned in the public arena. It was only in the subsequent reforms that public interest, which previously has been self-referential, slipped into disuse.

In the 1980s, attempts were made to revive the concept through debates on citizenship and social justice. These ideas, however, failed to impact on the general direction of economic efficiency driven reform. More recently the re-emergence of the idea of social capital has generated a new discourse, both internationally and within Australia, that gives centrality to public interest as a fragile precondition of economic productivity and not a consequence of it (Fukuyama 1995).

**Public interest and competition policy**

In Australia the public sector reform process, keyed to National Competition Policy, has faced implementation difficulties which we argue arise in part from overlooking this central role of public interest.

The economic impacts of contestability are widely understood and, consequently, have formed the main area of discussion in decision-making processes about what should be exposed to competition and in what manner this should occur. The concentration on quantitative processes may be seen as having its own costs in an attention deficit in respect of social outcomes. This has resulted in voices of concern being raised about certain aspects of competition policy.

Significantly, the National Competition Council announced in its last annual report that, in response to public disquiet about the merits of NCP, the council will focus on ‘correcting misunderstandings about the NCP
and highlighting public interest safeguards built in to the NCP agreements’ (quoted in The Australian, 12 November 1998:2). While this is again taken up in the NCC’s January 1999 paper, the Council’s arguments remain stuck in a narrow economic rationality in which ‘serving the public interest’ aims to ‘reduce costs to Australian households and businesses’ (NCC 1999:8).

The focus to date has, however, been on the instruments of contestability—contracting out, removing legislative restrictions, reform of monopolies, and competitive tendering—at the expense of the stated intent of the policy, which is to deliver quality services efficiently. Not only has narrow emphasis on cost efficiency led to a neglect of qualitative factors, but the social outcomes often related to the quality of services have been overlooked particularly where practical considerations of everyday management make their application difficult. This paper argues that the adoption of a more balanced approach is required to avert the risk of contestability being undermined as a framework for reform. In particular, if measurable efficiencies are the sole or predominant criteria the resultant de-restricted competition may not be effective in terms of quality service provision. This may in turn provoke a public backlash against contestability as a tool of public sector management.

This is in fact acknowledged in the current policy rhetoric which allows for restrictions on competition where

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition (NCC 1995).

Such a ‘public benefit test’ is, however, meaningless in practice unless the issue of how it is applied across a diverse set of considerations is resolved. Some further guidance as to what should be considered when assessing the benefit to the community is offered in the National Competition Policy Agreement. The following (non-exclusive) list appears as clause 1(3) of this agreement between the Commonwealth, State and Territory Governments:

- government legislation and policies relating to ecologically sustainable development;
- social welfare and equity considerations, including community service obligations;
- government legislation and policies relating to matters such as occupational health and safety, industrial relations and access and equity;
- economic and regional development, including employment and investment growth;
- the interests of consumers generally or of a class of consumers;
- the competitiveness of Australian businesses;
- the efficient allocation of resources (Commonwealth of Australia 1995).

In theory then, the assessment of public benefit should involve a mix of economic and non-economic criteria. In practice, however, policymakers and public sector managers have been most comfortable with assessing competitiveness, growth, employment, economic development and efficient allocation of resources, where criteria for measurement are relatively clear. Non-economic measures such as social welfare, equity, access, consumer interest and ecological sustainability, which are essential in developing, implementing and assessing policy outcomes but which are difficult to measure, have been pushed into the background of decision-making processes. Furthermore, where non-economic factors are identified as components of NCP implementation, they are not explored in sufficient detail to make their application practical for public sector managers. This is clear in the list of factors above where no effort is made to address the issue of how some level of comparability in the diverse considerations may be achieved in practice. This leaves the non-economic factors as a wish list to be appended to policy documents without any consideration of the practicalities of their implementation or, cynics might argue, any intention to undertake such serious consideration.

First steps to a new model

A first step in bringing such social goals into a practical process of policy implementation may involve the development of a new model of public policy action. While no claim is made here for a completed alternative model it is possible to
outline an approach which may be regarded as a first step towards the establishment of such a model. This would build on insights gained through international and local experience of public sector reform. In particular it would take account of the practical problems emerging from the implementation of NCP to date. These include

- a lack of clarity as to the scope and expectations of NCP
- a need for improved skills in understanding NCP requirements and in operating the instruments of competition such as contract management
- policy and implementation deficits involved in the public benefit test
- a lack of evaluation of the distributional consequences and development of appropriate policy responses.

This alternative approach would need to focus on both outcomes and processes. It would, for instance, need to accept that such major change as policymakers are seeking cannot be brought about by Ministerial fiat or other top-down processes. Instead it must involve consultation within policy networks and between consumers or clients and administrators of policy. Concepts which might play a role in such an approach include networking and co-production as formal requirements which acknowledge the iterative and learning nature of these decision-making processes in a reformed public sector.

The approach being suggested here then has both procedural and formative characteristics. It is procedural in that it makes no *a priori* assumptions about the substantive content of public interest. It is formative in the sense that it acknowledges that public interest is being formed as part of the policy process itself rather than being a pre-existing reality to be found through searching (Colebatch 1998). The approach is normative to the extent that it accepts the need for the creation of the category of ‘public benefit test’ and criteria to measure it as part of a legitimate framework of assessment vital to the public sector reform program driven by NCP. The current lack of a workable criteria for assessing public benefit is a clear limitation both of the NCP-driven reforms and on any possible alternative approaches. If the reform process is to continue, further work to overcome this limitation is an urgent necessity. At this stage, however, the focus of this suggested alternative approach is primarily on social and democratic considerations with the aim of restoring a balance between economic and non-economic considerations.

The first step in achieving this is to determine a range of criteria which would form the core of matters to be considered in assessing the non-economic aspect of the public benefit of particular contestability proposals. These may be divided into policy and process factors.

**Policy factors**

For policy settings to be conducive to an inclusion of public interest considerations in decision-making they need to display three characteristics. First, they must be coherent, that is policy settings need to remain consistent and coordinated over time. Without such policy coherence it is unlikely that the complex considerations necessary for public interest to be brought into account in contemporary policy processes can be pursued.

Second, the accountability of particular Ministers and governments must remain clear. Because public interest is ultimately a political concept it cannot be successfully incorporated into policy unless there are clear lines of political accountability. The technical nature of narrowly focused economic considerations lends itself to the avoidance of such responsibility where politicians are able to defer to the apparent objectivity of ‘the modeling’. This is not the case with public interest considerations where judgements must be made as part of a political process involving interaction between the range of policymakers (politicians, bureaucrats and policy issues networks) and the public.

Third, the mandates under which policy is pursued must be clearly and publicly recognised. This applies to both legal mandates and the policy goals of government. The necessity here is again that the establishment of public interest as a central consideration of policy processes and this requires clarity of definition and acknowledgement of purpose. Observers of earlier periods of public administration have describe the process by which
the simple (some might say blunt) policy instruments of regulation flow to fill political vacuums (Benn and Peters 1959:14–29). Our argument is that in current programs of public sector reform, the relatively simple (and some might say blunt) instruments of competition have flowed to fill policy deficits. Any attempt to redress this will need to specifically acknowledge the role of public interest in order to establish its status in the process and its potential to satisfy perceived deficits. Without such attention to the characteristics of procedure, any alternative process is likely to be captured by quantitative analysis as current practice has been.

Process factors

In a crucial sense the policy factors suggested above as necessary to bringing public interest back into the policy process equate to the settings of democracy. For this reason their implications are not just substantive but also procedural. The approach suggested here then proposes a symbiosis between an open, interactive public policy process and the establishment of the nature of public interest on particular issues of policy. The following groups of principles may be seen as requisite for the operation of such an alternative.

The first group relates to the openness of the process under which public interest might emerge from a policy consultation process. It includes access, community engagement and diversity. Under access we locate the consideration that people should not be arbitrarily excluded from the provision of the relevant good or service. For this to be the case the policymaking process would need to ensure that it excludes no-one likely to be affected by the policy. To achieve this community engagement would be needed to foster public involvement in policy, planning and services, thus enhancing the participation of people in decisions which affect them. Additionally, diversity structures would need to be developed to implement proposals so that policy outcomes are relevant to people regardless of their varied backgrounds and circumstances, rather than simply catering to the lowest common denominator or to a dominant or normative stereotype.

A second group of factors might be located under headings such as social capital and empowerment. The idea here is that the policy process should neither undermine community capacity nor marginalise individuals. On the contrary it should enhance the knowledge and choice available to individual consumers and should also develop the capacity of communities to take responsibility for their own policy destinies. This clearly cannot be achieved by processes in which centralised bureaucracies make policy on behalf of a passive public.

A third group of factors revolve around the incentives built into the processes of change. Conscious effort is needed to avoid perverse incentives and to establish positive incentives. This is true in respect of both supply and demand sides of the public provision of goods and services. On the supply side, those producing goods and services do so as part of particular work organisations in which incentives to productivity have a part to play in reducing cost and improving quality. On the demand side incentives should encourage consumers of goods and services to use them within a framework of well informed responsibility. Here the knowledge and choice available to consumers can be articulated with incentives to use services in ways which take account of their public character.

A final group of factors involves equity impacts. Policies should ultimately aim to benefit all citizens and should not add to existing disadvantage. Furthermore, their aggregate impact on social cohesion and social infrastructure should be positive. Where distributional impacts are uneven, consideration should be given to changing policy directions or generating compensation arrangements. In general, policies which increase the costs of goods and services to consumers need to be addressed in terms of their poverty and well-being impacts especially for disadvantaged families and communities.

It is consideration of factors such as these which is needed if public interest is to be resurrected as a practical component of policy processes.

Conclusion

This paper has attempted to examine the possibility that public interest could play a balancing role in current policy processes and to clarify a basis upon which
judgement regarding this role can be made. The argument has been made that public interest slipped from being a central idea in political decision making in the 1970s and '80s, but is now re-emerging as a counter to the perceived excesses of economic rationalism. While the idea of public interest is potentially powerful in this context, its character cannot be taken for granted. To have contemporary policy utility, public interest must be differentiated from both its historical form as a judgement made by bureaucrats and its current rhetorical use as a claim for legitimacy for what are often sectional interests. Nonetheless, understanding the historical form and usage of public interest as a policy argument remains a prerequisite to its effectiveness in contemporary public policy.

Before that can happen, however, public interest needs to be disentangled within current practice. One problem is that within National Competition Policy public interest, where it is taken seriously at all, is constructed in an economic form because of the discourse in which it has been embedded. In the context of criticisms of NCP, public interest is being redefined as a series of claims to valuing non-economic considerations. This paper has argued that if these considerations are to become an effective part of the policy process they must be seen as neither substantive nor a priori but essentially situational, normative and contested. For these reasons they can only be implemented through a policy process which is iterative and inclusive. Given the perception that many Australians feel shut out of their nation’s political life such an approach might also be considered as having advantages for reviving public policy by making participation an essential part of the process.

We have suggested the categories for debate regarding the potential role of public interest but not the rules of engagement or adjudication. Research which measures the outcomes of NCP and identifies the constraints to its successful implementation is clearly necessary before a complete model of an alternative public policy process can be produced.

Finally, the conclusion offered here rests upon an observation regarding the relationship between the health of an economy and the health of public policy processes. There is no evidence that either democracy or markets promote either social justice or national prosperity as a matter of course. It is clear, however, that increased productivity does not cause civic engagement and it may undermine it. On the other hand, civic engagement does build social capital and it is social capital that is the crucial fuel for prosperity. The point is that an inclusive public policy process not only has the potential to bring public interest back into the centre of decision-making by allowing it to emerge as part of the process, but it also has the potential benefit of developing in our communities the skills and practices needed to confront the most difficult policy issues. In this way a newly participative policy process may be seen, not as the logical outcome of a strongly performing economy, but as a fragile pre-condition for that happy state.

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