



Australian Catholic Social Welfare Commission

national competition policy

**Submission to the Productivity Commission Inquiry into the Impact of
Competition Policy Reforms on Rural & Regional Australia.**

Contact: Libby Cooney
Research Officer
ACSWC

December 1998

Received 18-12-98

AUSTRALIAN CATHOLIC SOCIAL WELFARE COMMISSION

The Australian Catholic Social Welfare Commission (hereafter referred to as the 'ACSWC') is an organisation of the Australian Catholic Bishops' Conference and has a mandate to advise the Catholic Bishops of Australia on matters pertaining to national social welfare issues. It reports to the Catholic Bishops through the Bishops' Committee for Social Welfare.

A Board of Commissioners consisting of individuals with expertise in social welfare policy and practice drawn from across Australia is appointed by the Bishops' Committee for Social Welfare, on behalf of the Australian Catholic Bishops, to oversight the work of the ACSWC National Secretariat.

The current membership of the ACSWC is:

Bishop Patrick Power	Australian Catholic Bishops' Representative	
Fr John Usher (<i>Chair</i>)	NSW	Director, Centacare Sydney
Mr Toby O'Connor	<i>National Director</i>	ACSWC
Ms Kathy McCormack	NSW	Director, Centacare Wollongong
Fr Kevin Mogg	Victoria	Vicar for Welfare, Archdiocese of Melbourne
Fr David Cappelletti	South Australia	Bishops' Nominee
Mr Dale West	South Australia	Director, Centacare Adelaide
Fr Clem Kilby AM	Tasmania	Director, Centacare Hobart
Mr Tony Pietropiccolo	Western Australia	Director, Centacare Marriage and Family Service Perth
Mr Neil Harrigan	ACT	Director, Centacare Canberra–Goulburn
Ms Judy Stacey	Northern Territory	Director, Centacare NT
Sr Jan Geason, RSM	Representative of the Australian Conference of Leaders of Religious Institutes	
Mr David Beaver	Representative of Centacare Australia	

The ACSWC aims to develop a wide range of responses on issues that effect the personal and public well-being of the Australian community. Principally, these responses are intended to raise the consciousness of the community on the impact of specific social policies, proposals and developments.

Policies in the legal, social, economic, political and administrative arenas are considered in relation to the impact these have on the physical, social, emotional and spiritual lives of all Australians. The ACSWC applies the key principles outlined in the Gospel and the Social Teachings of the Church to examine the impact and intent of government policies and legislation with specific reference to the human dignity inherent in all individuals and their right to be active participants in their national, regional and local communities.

Over the past decade, the ACSWC has been actively involved in the processes of formulation, implementation, review and restructure of policy and provision in the area of employment, education, training and youth affairs. As part of this involvement in national employment policy, the ACSWC has engaged with the Commonwealth Government and relevant Departments to enhance the development of policy matters according to its mandate and in consultation with Church-based providers throughout Australia.

In recent times, the ACSWC has been engaged in intensive research and consultations regarding the economic circumstances and social well-being of regional and rural communities in south west Victoria and Tasmania. This work has been in addition to the Commission's ongoing work of consulting with providers of employment and training, as well as broader welfare support, services in their local and regional communities. These consultations and the findings of this work directly inform the content of this submission.

It is in this capacity that the ACSWC provides the following submission to the Productivity Commission Inquiry into the Impact of Competition Policy Reforms on Rural and Regional Australia.

The submission is divided into four sections:

1. The Policy Context of National Competition Policy;
2. Principles to Judge the Socio-economic Consequences of the National Competition Policy;
3. National Competition Policy and Social Dislocation, particularly in rural and regional communities; and
4. The Experience of Church-based Social Service Organisations with the National Competition Policy.

1. THE POLICY CONTEXT OF NATIONAL COMPETITION POLICY

In April 1995 Australia's nine governments agreed to implement a package of policies known as National Competition Policy ('NCP'). The enactment of the **Competition Policy Reform Act 1995** and State and Territory application legislation, along with various inter-governmental agreements and the **Trade Practices Act 1975** are the key elements of the NCP package.

The NCP is based on the belief that competition can deliver significant benefits to consumers and boost Australia's economic performance.

1.1 The Primacy of Economic Growth

A central tenet of all public policy in Australia and indeed in most industrialised or developing countries is that economic growth, defined as the change in the real value of goods and services provided by the economy, is the key to improving the welfare of the national community. In an increasingly integrated global economy, a nation's capacity to achieve economic growth depends on improving its competitiveness. The key to this is improving productivity, that is using national resources more efficiently in the production of goods and services. The NCP provides a framework to achieve this outcome.

The Industry Commission had this to say about the nexus between increases in productivity and increases in living standards:

Productivity is the key to raising living standards. Productivity benefits are flowing from the microeconomic reform efforts of Australian governments in a number of areas. At the same time, a substantial reform task still lies ahead if Australia is to quicken the pace of improvement in its productivity and living standards.¹

Becoming more efficient in our use of resources involves economic reform of some kind.

Economic reformers must have some theory about how the economy works. This theory guides and underpins policy prescriptions. However, it is wrong to think that there is only *one* unified and univocal body of ideas that is called 'economic theory'. There are a multitude, which over the years have been categorised or labelled with names such as 'classical economic theory', 'Marxian' and 'Neo-Marxian' economics, 'Keynesianism', 'Monetarism', and 'neo-classical' economics. They differ in their initial assumptions, in the relative weight they give to various economic factors and, in the policy prescriptions which flow from the theory.

The importance of the above to the present discussion is simply to highlight the historical fact that, at any one time, one theory is usually more dominant than others for a variety of factors.

Since the early 1970s neo-classical economics has been the most influential theory amongst policy-

¹Industry Commission (1996) *1995-96 Annual Report*. Canberra: AGPS. p.1.

makers across the world. Neo-classical economics is that body of ideas about economics which is generally associated with the term 'economic rationalism'. This term has become somewhat of a catch-all cliché used by many people to describe a set of policy prescriptions for economic growth that flow from this theory as it is applied to the modern context.

Advocates of economic rational policies have sought to defend the term in recent years from the assorted criticisms levelled by a cross-section of the Australian community against specific economic and social policies which are seen to have been influenced by, or resulted from, the NCP. Recently, the Federal Parliament has recognised the need for those charged with the responsibility of implementing the NCP *to devote resources to ensure community understanding and debate about the contents of the [NCP] policy and its outcomes.*² The NCP came in for severe criticism from One Nation during the recent Federal Election campaign. It is also noted that the Federal Treasurer has given a reference to the Productivity Commission to report on the impact of competition policy reforms on rural and regional Australia.

Notwithstanding the outcome of any initiatives to explain the positive outcomes of NCP, neo-classical economic theory is basically about 'utility-maximisation' given limited resources. The term 'utility' here means personal satisfaction. Thus the theory is about individuals using their resources so as to achieve the highest level of satisfaction possible. In order to do this, people must be free to choose how they use their resources. Individuals must be free to decide what to produce and what to consume; they must be free to exchange goods they have produced for those they wish to consume; and they must be free to interact with others who are trying to do exactly the same thing.

In other words, the key ideas of neo-classical economics are individual freedom and freedom in the way markets operate. In free markets, where competition is strong, people have incentive to make the most efficient use of their resources. If everyone is maximising their utility, then the community as a whole is maximising its utility or well-being.

'Globalisation' or 'the global economy' is a term used to refer to the disappearance of barriers to the flow of traded goods and services and the flow of money or capital around the world. International agreements, such as the General Agreement on Tariffs and Trade (GATT), and regional trade organisations/federations such as the European Union (EU) and the Asia-Pacific Economic Co-operation Forum (APEC), aim to promote what is known as 'free trade' by reducing tariffs and other means of protecting domestic industries from international competition. This is seen as essential to providing the necessary incentive for greater productivity and efficiency that is vital to economic growth.

What is known as economic rationalism, therefore, can be regarded as a set of policy recommendations which favour deregulated markets and strong competition as the means to increasing productivity and maximising the nation's collective utility. NCP is one of the major

²Parliament of the Commonwealth of Australia, The House of Representatives Standing Committee on Financial Institutions and Public Administration. 1998.

policy tools used by governments to assist these policy recommendations. It plays an integral role in facilitating the 1995 commitment made by all Australian governments, even though the distributional impact of these policies may be negative for many individuals within society and for the quality of civil society.

All Australian Governments seem to have come to recognise that the NCP can have some, albeit unintended, negative outcomes for some sectors in the Australian community. The Department of Treasury has this to say about these negative consequences:

Unfortunately, the reform process will involve short-term transitional costs. The transitional costs of reform are often concentrated and readily apparent, whereas the long-term benefits are generally more diffuse and less obvious.³

...While the impact of competition policy is broad, it is also likely to fall unevenly across different communities.⁴

The ultimate measure of the success of the NCP appears to be 'economic growth' as evidenced by the increase in this aggregate utility. It is not hard to see why economic rationalism is associated with a political ideology that emphasises individual freedom, plays down the negative distributional impact of greater economic freedom, and abhors intervention by collective institutions like governments in the affairs of individuals. At the same time, it is acknowledged that many of the social welfare gains that might be claimed as resulting from the NCP are difficult to observe since any manifestation is through indirect effects.

1.2 The Role of Macroeconomic Reform

In an increasingly globalised economy, the competition to attract investment funds from international lenders is intense. Australia has traditionally relied heavily on overseas borrowings to finance its development, since our own population is not large enough to generate sufficient savings to finance all our domestic investment and foreign investment needs. This constant inflow of capital has manifested itself in a Current Account Deficit (CAD). A current account deficit is not necessarily a bad thing, unless it becomes too large in relation to our Gross Domestic Product (GDP), which represents our capacity to earn income and finance our national debt. If this happens, our lenders will begin to see Australia as a higher risk, and charge higher interest rates. More of our resources will therefore have to be diverted into debt repayment rather than into growth-generating investment.

The level of Australia's national debt has increased markedly in recent years, as has the CAD as a proportion of GDP. One way to solve this potential constraint on our level of economic growth is to rely less on overseas borrowings to finance development – this means increasing national savings.

³Department of the Treasury, (November, 1998) Submission to Select Committee on the Socio-economic Consequences of the National Competition Policy. p.1.

⁴*ibid.* p.42.

Part of the CAD is the consequence of borrowing by the public sector, so many economic analysts suggest that any strategy to reduce the CAD must aim to reduce the public sector borrowing requirement (PSBR). Reducing the PSBR can be done by reducing the budget deficit, that is, the difference between government revenues and outlays. Since the March 1996 Federal Election, the Coalition Government has made much of the "\$8 billion black hole" or budget deficit, arguing that it must be reduced substantially and quickly.

This could be achieved by increasing revenues without cutting expenditure, however the method of deficit reduction favoured by the economic rationalists who are most influential is to reduce outlays, since under the current taxation regime, an increase in government revenues is likely to result in further impositions on wealth-generators, i.e. businesses and investors. The 1996 Federal Budget implemented this strategy, despite an assessment by Treasury that the cuts in government spending were likely to increase unemployment, at least in the short-term.

A reduction in spending need not result in a reduction in the level of service that the state provides. If inefficiencies and duplication in government service provision can be eliminated, then services can be enhanced at a reduced cost. For this reason the Coalition Government set up the National Commission of Audit to find ways of improving national competitiveness by focusing on the way governments spend their revenues. Among many recommendations, the Commission of Audit recommended a continuation of the process of rearranging the roles and responsibilities of the various levels of government, in particular handing back to the States/Territories responsibility and substantial funds for delivering services such as aged care and public housing.

The States and Territories, for their part, are keen to get their hands on more Commonwealth money with no strings attached. The major strategy to achieve this has been to lobby for the conversion of Specific Purpose Payments (financial assistance grants to the states from the Commonwealth that must be spent on particular portfolios or programmes) into General Purpose Payments (financial assistance grants without any such designated purpose) and joint funding pools.

While not actually redressing the vertical fiscal imbalance of financial power between the Commonwealth and State/Territories in terms of how revenue is *raised*, this could have given greater freedom to the States and Territories with regard to how it is *spent*. This would be more consistent – in the view of the States and Territories – with the principle of subsidiarity and the original demarcation of roles and responsibilities established by the Australian Constitution. How these arrangements will change under the new GST proposals is unclear.

Devolution of responsibility and of funds back to the states has substantial implications for the community sector which ends up being the ground-level service provider of many of the services that rely on funding from either SPPs or GPPs.

1.3 The Role of Microeconomic Reform

Microeconomic reform, which aims at improving productivity in certain sectors of the economy, can contribute to increased national savings by increasing efficiency, thus allowing more to be produced with less resources. The production of more with less in turn frees up resources for other

purposes. Increased efficiency also means that Australia becomes an attractive site for overseas investment, since high rates of return on invested capital are more likely.

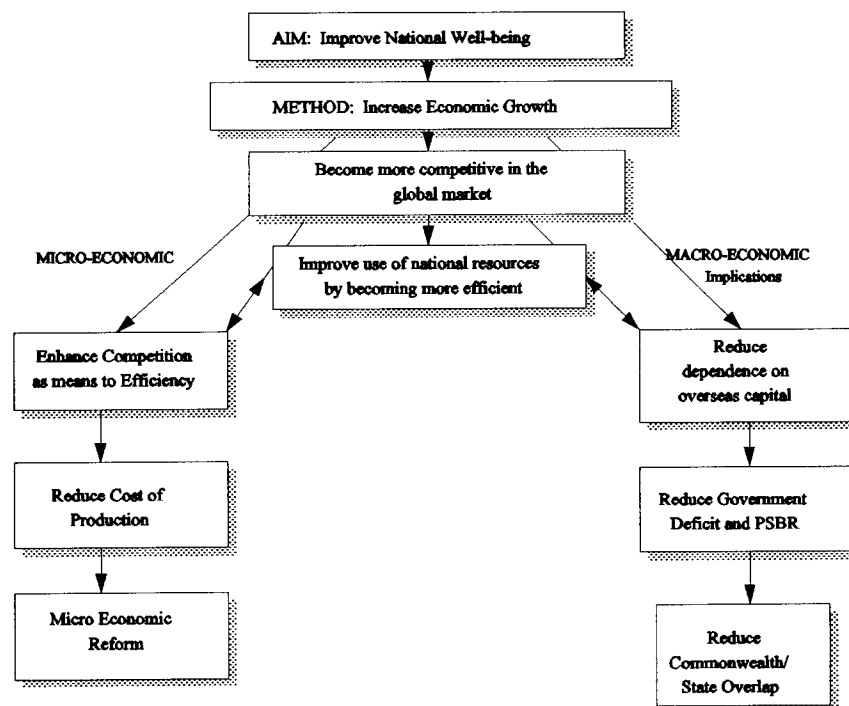
Australia is presently witnessing the dismantling of the model of big government at all levels. This is the result of, among other things, arguments that government is economically inefficient in its use of resources. Thus the increasing emphasis on economic efficiency, or getting more value for each dollar of government expenditure, will have an impact on all sectors of Australia's economy, including the community social services sector.

The conventional wisdom of neo-classical economists is that the best way to achieve more efficient use of resources is to promote competition amongst the providers/producers of goods and services wherever this is possible. The theory is that where competitive markets are weak or non-existent, so are the incentives for producers to use resources more efficiently.

Thus there has evolved over the last decade a consensus among policy-makers that the Australian economy needs to be reformed in ways that promote greater competition within each sector of the economy, e.g. in the production and distribution of energy, on the waterfront, and in the delivery of services historically delivered by government.

Figure 1 outlines the framework for how macroeconomic reform and microeconomic reform contribute to the goal of improving national well-being.

Figure 1: The Role of Microeconomic and Macroeconomic Reform



**Submission to Productivity Commission Inquiry into the Impact of Competition Policy
Reforms on Rural and Regional Australia**

The 1997–98 Annual Report from the National Competition Council ('NCC') reassures us that the NCP does not seek to *increase economic growth per se*⁵. While the term 'economic growth' is commonly associated with the notion of increasing national income or output, and is therefore concerned with fluctuations in the GDP, the NCP's main objective is *to use society's resources – that is people's skills and labour, land and capital – in more efficient and sustainable ways, thereby increasing the value that society obtains from those resources*.⁶

The ACSWC draws on the above material as background information in developing a response to the Productivity Commission's Inquiry.

⁵National Competition Council, (1998) *Annual Report 1997–98*. Canberra: AGPS. p.33.

⁶*loc. cit.*

2. PRINCIPLES TO JUDGE THE SOCIO-ECONOMIC CONSEQUENCES OF THE NATIONAL COMPETITION POLICY

The ACSWC applies the principles contained in what is known as Catholic Social Teaching to guide assessment of equitable and robust public policy⁷. These principles represent an historical, theological and philosophical extension to the fundamental principle of the *primacy of human dignity*. They are a response to the very real human struggles of individuals and families in our modern world and point the way to an authentic value-driven approach to policy.

The Church's social teaching is an impressive body of literature which has been formalised since the late 1800s⁸. It was during a period of global depression, increased inequality and rapid change, spurred by the industrial revolution, that Pope Leo XIII emphasised the role of the state to ensure distributive justice in both the labour market system (i.e. concerned with pay and conditions of employment) and what we now term the social wage system (i.e. supporting tax-transfers, under- or unemployment and a range of community services).

The principles enunciated by the Church over the past 100 years provide governments with a framework upon which the social and economic consequences of national economic policy can be assessed as well as informing governments of their responsibilities for the well-being of the citizenry.

The following principles of Church social teaching serve to remind Australian Governments of four key responsibilities that should be achieved when pursuing social and economic development through the implementation of the NCP.

2.1 Responsibility to Enhance The Common Good

People were created by God as beings not to live in isolation for each other but for the purpose of forming social unity. The common good refers to ...*the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfilment more fully and more easily.*⁹

Individual fulfilment can never be at the expense of the social well-being and development of all

⁷Australian Catholic Social Welfare Commission, (1996) 'Towards a practical theology of welfare: Guiding principles for Catholic social service agencies'. *COMMON Wealth*. Vol.5, No.1. Canberra: ACSWC.

⁸Pope Leo XIII, (1891) *Rerum novarum* ('On the Condition of the Working Classes'). Encyclical Letter. Reprinted 1942, Homebush: St Paul Publications.

⁹The Second Vatican Ecumenical Council, (1965) *Gaudium et spes* ('The Pastoral Constitution of the Church in the Modern World'). In W.M. Abbott, (Ed.) (1965) *The documents of Vatican II*. Melbourne: Geoffrey Chapman. n26.

people living in a community, hence [t]he common good concerns the life of all.¹⁰ [I]t is the proper function of public authorities to arbitrate, in the name of the common good, between various particular interests; but it should make accessible to each what is needed to lead a truly human life: food, clothing, health, work, education and culture, suitable information, the right to establish a family, and so on.¹¹

The human person achieves his or her potential as a member of society, where the needs and rights of others have to be respected. It is wrong to pursue one's own interests without regard to this fact. It is essential for the health of any society that most of its members have a moral commitment to work together to promote the common good. As a consequence of the limits placed by social morality on the right to own and use property, there is a need to examine the morality of owning a large surplus of material goods while others lack the necessities of life.¹²

The NCP recognises that competition is not an end unto itself. The Competition Principle Agreement ('CPA') seeks to ensure that competition is a means of improving living standards for the Australian community¹³. Treasury's submission provides a summary of the progress of the NCP in major areas of reform such as telecommunications, electricity, gas, etc¹⁴. Reforms in these areas have brought improvements to the majority of the Australian community.

The CPA explicitly provides for a range of social, environmental, regional and equity criteria to be taken into consideration when accessing the public interest¹⁵, i.e. the costs and benefits, or the losers and the winners, of reform¹⁶.

The public interest is not the same as the common good. The meaning of the term 'public interest' in the documentation associated with the NCP is unclear due to a lack of available information concerning how such a concept should be applied. In order to try to understand the application of this concept one is therefore required to seek its meaning from the milieu enveloping the NCP.

¹⁰*Catechism of the Catholic Church*, (English translation) 1994. Homebush: St Paul. Para1906.

¹¹*Catechism of the Catholic Church*, *op. cit.*, Para1908.

¹²Australian Catholic Bishops' Conference, (1992) *Common wealth for the common good: A statement on the distribution of wealth in Australia*. North Blackburn: Collins Dove. p.19.

¹³Department of the Treasury, (November, 1998) *op. cit.*; p.17.

¹⁴Department of the Treasury, (November, 1998) *op. cit.*; pp.23ff.

¹⁵National Competition Council (1998) *op. cit.*; Box A2.1, p.26.
Department of the Treasury, (November, 1998) *op. cit.*; p.9.

¹⁶It is noted that the meaning of the term 'public interest' in this context is different to the meaning of the term when used in the administrative law context where there are obligations on governments, and public administrators, to disclose information.

Since the NCP is premised on the encouragement of competition within the economy, including the activities conducted by governments, it is reasonable to assume it necessarily involves rivalry between individuals, groups or governments. Competition appears to be based on the beliefs of economists that it is an inherent feature of the human condition given an individual's unlimited wants and the availability of limited resources to satisfy these wants.

Accordingly, within the competition model, individuals are regarded as 'self-maximising rational consumers'. That is, individuals are always, and only, interested in their own position and interests; they make only rational decisions based on full knowledge of all available options; and, they are able to obtain goods and services in the market place. In this way an individual becomes a rational consumer or customer.¹⁷

Economic theory seeks to define the individual as

the supreme and fundamental good, and the interests of community and society have to be subordinated to the individual's interest. Where individual interests and the interests of others or common interests seem to clash, the individualist will put what he considers his own interests first.¹⁸

In discerning the *common good* it would be a mistake for governments in pursuing the NCP to assume that service of a majority, or even a minority, of consumers necessarily attains the common good. One of the basic yardsticks of the common good is ensuring that human dignity and rights are given to the most disadvantaged 'consumers' in our community. The Catholic Church has consistently proclaimed these rights.

Human beings have the right to live. They have the right to bodily integrity and to the means necessary for the proper development of life, particularly food, clothing, shelter, medical care, rest, and finally, the necessary social services. In consequence, they have the right to be looked after in the event of ill health; disability stemming from their work; widowhood; enforced unemployment; or whether through no fault of their own they are deprived of the means of livelihood.¹⁹

Community Service Obligations ('CSOs') come closer to the Church's understanding of the common

¹⁷Australian Catholic Social Welfare Commission, (1993) 'Market principles and welfare: The dilemmas of privatising Australia's welfare services'. *Catholic Social Welfare*. Vol.2, No.2. Canberra: ACSWC. p.5.

¹⁸Burke, C., (1993) 'Personalism, individualism and "communio"'. *L'Osservatore Romano*, N.17 (1288), pp.7-8.

¹⁹Pope John XXIII, (1963) *Pacem in terris* ('Peace on Earth'). Homebush: St Paul Publications. n11.

See also :

Gaudium et Spes, *op. cit.*, n26.

Pope John XXIII, (1961) *Mater et magistra* ('Christianity and Social Progress'). Encyclical Letter. Homebush: St Paul Publications. n73.

good. A CSO is an activity provided on a non-commercial basis which aims to achieve a specific social outcome or purpose that would not be delivered as part of a normal competitive business²⁰.

A CSO can arise *when a government specifically requires a public enterprise to carry out activities relating to outputs or inputs which it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sectors to generally undertake, or which it would only do commercially at higher prices.*²¹

In an environment where governments are moving to apply the NCP to all aspects of their operations, it is inevitable that the number of government activities quarantined from the impact of competition policy will be kept to a minimum. There needs to be greater public discussion about which government activities should be quarantined from the NCP and which government activities should be subject to CSOs.

2.2 Responsibility to Ensure Distributive Justice

Catholic tradition holds that the goods and the burdens of a community are to be distributed on the basis that not all persons can contribute in the same way²². Where feasible, burdens should be distributed equitably with due emphasis on a person's capacity to contribute. In a system of taxation based on justice and equity it is fundamental that the burdens be proportioned to the capacity of the people contributing²³. This is an example of what is known as the principle of *distributive justice*.

The principle of distributive justice essentially relates to the manner in which the individual and the state interact. Commutative justice however, is concerned about equality between citizens in a way that all citizens are treated homogeneously.

Distributive justice is concerned with the relationship of the citizens with the state in a way that the state is required to treat each citizen according to her or his individuality, that is, her or his means and capacity to contribute. Hence, distributive justice recognises individual differences and unequals are treated unequally. In its purest form, competition policy does not recognise individual differences and unequals are treated equally.

More than this, the principle of distributive justice advocates a thorough investigation and, where appropriate, an alteration of the distributive macro-systems of the market and social wage to ensure a more equitable spread of income generated wealth and employment opportunities throughout a

²⁰National Competition Council (1998) *op. cit.*; p.43.

²¹Steering Committee on National Performance Monitoring of Government Trading Enterprises, (1994) *CSOs: Some definitional, costing and funding issues*. Canberra: Industry Commission.

²²Pope Leo XIII, (1891) *Rerum novarum* ('On the Condition of the Working Classes'). Encyclical Letter. Reprinted in 1942, St Paul Editions. n27.

²³Pope John XXIII, (1961) *Mater et magistra*. *op. cit.*; n132.

community and with a special regard for those regions and groups most disadvantaged.

The commitment to the dignity of every individual advocates policy which is dedicated to the community at large – policy which is truly for all of us. The principle of solidarity for the *common good* supports horizontal and inter-generational equity in the distribution and use of resources and opportunities through public policy initiatives as well as in the operation of public and private institutions. It regards as abhorrent the rampant individualism and the sole pursuit of personal gain in policies.

Competition policy is often experienced as a culture highly dependant on promotion of the concept of 'self-reliance', which has little if any regard for the most vulnerable members of society. The NCC states that an important goal of the NCP agreements is to improve equity²⁴. However, the NCC has no clear definition of the meaning of the term 'equity' or the criteria against which the equity goals of the NCP can be assessed.

The NCC seems to question the actual relevance of notions of equity when it stated in its 1997–98 Annual Report that:

improving equity is not the central focus of the NCP package. Rather the NCP agreements simply require that all competition reviews consider "social welfare and equity considerations" when assessing the case for reform. While this will tip the scales in favour of decisions that enhance equity, in practice reforms are likely to have a range of effects on equity – some good, some bad.²⁵

The outcomes of the NCP is often experienced in negative terms – particularly where it is seen to result in an abrogation of responsibility on behalf of the collective (i.e. governments) to ensure minimal, acceptable levels of participation in the life of the community for all of its members.

Furthermore, this kind of emphasis in policy can show a callous disregard for the real needs of individuals and groups of individuals. Perhaps the most shameful manifestation of competition policies, albeit indirect and unintended, has been public blaming of the victims of economic downturn for the very economic conditions of recession and restructuring that they are facing. Such manifestations hinder the collective development and long-term progress of national communities and place additional burdens on the reform agenda being pursued by governments.

Policies which promote solidarity and the just distribution of 'sacrifice' and 'reward' in society enhance the common good and will display a true *preferential option for the poor and the disadvantaged*²⁶. Some people or groups of people require direct assistance and support in order

²⁴National Competition Council, (1998) *op. cit.*; p.35.

²⁵National Competition Council, (1998) *op. cit.*; p.36.

²⁶Pope Paul VI, (1971) *Octogesima adveniens* ('A Call to Action on the Eightieth Anniversary of *Rerum novarum*'). In D.J. O'Brien & T.A. Shannon, (eds), 1992, *Catholic Social Thought: The Documentary Heritage*. New York: Orbis Books. n.23..

that the economic and social benefits of the community are fairly distributed and enjoyed. This assistance, whether it is income support, employment assistance, a minimum wage, structural adjustment programs or providing regional communities with access to the same services available in urban communities, must be provided on a preferential basis.

The meaning of the term 'preferential' does not mean the same as the meaning of 'equitable'. The distinction between these two terms and their implied conceptual consequences is something most governments struggle to understand.

Government assistance, support and intervention must not be allowed to be redefined by the proponents of the NCP as outmoded 'charity' ideals that have no place in government policy and strategies. These measures must not be seen as some type of gratuity or 'handout' that must be earned. They are a right – and entitlement – to those of our neighbours and community members who require a basic level of assistance in order to enable them to full community participation and a healthy degree of independence.

The ultimate success of the NCP will depend on how it treats those 'consumers' who are the most disadvantaged – not only in financial spending power but in their access to the full range of services available to the majority of Australians.

2.3 Responsibility to Ensure People Participate in the Life of the Community

Governments have a responsibility to defend and promote civil structures as being both prior to and the necessary basis upon which to ensure the *right of people to participate in the life of the community*. The proceeding requirement is for all community members to be assured, through the processes of democracy, law and social administration, of a minimal acceptable level of participation in community life.

The greater the needs of a person, the greater the obligation on authorities and on those people who have plenty to find ways to promote and protect that person's human dignity. Pope Paul VI articulated the principle of the preferential option for the poor thus:

In teaching us charity, the Gospel instructs us in the preferential respect due to the poor and the special situation they have in society; the more fortunate should renounce some of their rights so as to place their goods more generously at the service of others.²⁷

This principle reflects the Church's primary commitment to be at the service of the poor, the disadvantaged and the marginalised members of our community. In turn, the Church has an expectation that authorities also share this commitment, ...*consideration of justice and equity can at times demand that those in power pay more attention to the weaker members of society, since these are at a disadvantage when it comes to defending their own rights and asserting their*

²⁷Pope Paul VI, (1971) *Octogesima adveniens. op. cit.*; n23.

*legitimate interests.*²⁸

The right of citizens to participate in the life of their community reinforces the role of government, particularly the Commonwealth, to provide substantive guarantees of:

- each individual's right to work;
- market income security;

- guaranteed income support when unemployed;

- the ability to live a full life without undue social control or interference; and

- the ability of individuals to generate the required level of income to provide for the needs of a family and to contribute to the well-being of the broader community through the payment of taxes.

These are some of the issues that governments need to consider when implementing the NCP. This is particularly so wherever implementation of the NCP reduces opportunities for participation.

Let us investigate the implications of the responsibility governments have to address the destructive impact of unemployment and the assurance of gainful employment for all who are capable of it. The responsibility of government, and the NCP, ought to be the pursuit of full employment as a key component of economic development. Governments have a responsibility to act as 'indirect employer' in achieving that end is established as a necessary aspect of good governance.

Central to the Church's understanding of the nature of employment is its undeniable facility as the means to expression of the inherent humanity of the worker. Work is fundamentally the vehicle for the self-realisation of the individual who is the 'subject' and not simply the 'object' (factor, commodity or input) of production. The case for ensuring work for all who want it is absolutely essential for the well-being of individuals, families and the broader social fabric.

The sanctity of work is signified in the very personal value and economic benefit of work to the character of the individual and his or her ability to fully integrate into society; assuming fully the rights and corresponding responsibilities of participation in the life of the community. Indeed, the collective impact of unemployment on the Australian community can destroy the social and physical capital which are the necessary preconditions of human fulfilment through participation in community life.

Commenting on the human impact, the regional nature and the constructed nature of unemployment as a foreseeable and often intended outcome of the unhindered operation of free markets and competition, Pope John Paul II reminds us that

²⁸Pope John XXIII, (1963) *Pacem in terris. op. cit.*; n56.

...the "poor" appear under various forms; they appear in various places and at various times; in many cases they appear as a result of the violation of the dignity of human work: either because the opportunities for human work are limited as a result of the scourge of unemployment, or because a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his or her family.²⁹

The importance of work to human fulfilment and the common good to the community led Pope John Paul II to identify the role of governments in ensuring full employment through the co-ordination of manifold socio-economic factors, policy arenas and institutional arrangements, as that of 'indirect employer'.

The notion of indirect employer gives due recognition to the fact that high levels of unemployment does significant damage to the operation of the economy and entrenches disadvantage as a result of individuals' exclusion from the labour market with long-term costs to the community. The Church's teaching on the responsibility of the state to ensure adequate minimum rates of market income underpinned by social protection for workers excluded from the market has preceded and continued to contribute to the development of just institutional arrangements of wages policy, industrial relations and social policy in industrialised nations throughout this century.

The writings of Pope John Paul II, particularly in his 1981 Encyclical, elucidate this role of the state by establishing the concept of 'indirect employer' has served to entrench the Church's position over the last century that the justice of entire economic systems can be judged according to the benchmark of the accessibility of fair and reasonable needs-based rates of market income for vulnerable and unemployed workers.

The present economic environment (e.g. as experienced by unskilled, low-paid and unemployed workers in disadvantaged regions of Australia) highlights the importance of the indirect employer preserving adequate market incomes and a robust system of income support and social wage provisions. The indirect employer's role of ensuring security in work and access to adequate rates of market income remains the primary means of preventing poverty and ensuring the dignity, cohesion and development of individuals, families and communities.

As distinct from the direct employer, either the person or institution with whom the worker enters directly into an agreement, the indirect employer has the responsibility 'for overall planning with regard to the different kinds of work by which not only the economic life, but also the cultural life of a given society is shaped'. Some specific responsibilities ascribed to governments as indirect employer include:

- a commitment to the objective of full employment;
- a commitment to the address social disadvantage resulting from unemployment;

²⁹Pope John Paul II, (1981) *Laborem exercens* ('On Human Work'). Encyclical Letter. Homebush: St Pauls Publication. n8.

- ❑ the prevention of inequities in the distribution of wealth, employment and opportunities for advancement through social and economic programs which regulate the free play of market forces;
- ❑ prevention of the situation whereby, following individuals' participation in appropriate training, their desire for a jobs and the social integration afforded by gainful employment continues to be frustrated;
- ❑ the maintenance of a substantial commitment to the employment initiatives of individuals, groups and local training centres; and
- ❑ the prevention of employment and/or labour market program initiatives which undermine the dignity of the individual by imposing a system of forced labour or other various methods of exploiting human labour.

These are some of the responsibilities ascribed to the elected Parliamentary representatives of the Australian community according to principles of Church social teaching. In as much as these principles represent the hopes, expectations and needs of a large number of disadvantaged Australians, they reflect justice considerations which should be central to the development and implementation of all economic policies. Nowhere are these considerations more relevant than with governments' implementation of the NCP.

These principles and the equity considerations they support should not be regarded as optional extras to be tacked onto policy or to be given passing reference in policy implementation. They should be central to any economic or social reform process that affects individuals, groups and communities.

2.4 The Role of Responsible Government

The various institutions of civil society such as government, businesses, church communities, professional associations, trade unions, social service agencies etc. are essential for enabling individuals and families fulfil their social duty to contribute to the social and economic development of the whole community.

Governments should therefore support these various bodies, families, and individuals, in so far as they need support, in order that they can carry out their purpose of enhancing human dignity. For *to safeguard the inviolable rights of the human person, and to facilitate the performance of their duties, is the principle duty of every public authority*³⁰.

This principle of safeguarding human dignity by ensuring that governments and other societal institutions do not subsume the proper responsibilities of individuals, families, and civic associations is known as the principle of subsidiarity. [T]he individual, the family and society are prior to the

³⁰Pope John XXIII, (1963) *Pacem in Terris*, op. cit.; n.61

*State, and ... the State exists in order to protect their rights and not stifle them.*³¹

The principle of subsidiarity also places strict limits on the role of government in society. Some public commentators have attempted to use a version of the principle of the subsidiarity to justify a radical reduction in the role of the state, arguing from an individualistic perspective that people ought to be responsible for themselves, not dependent on others or the government. This is an incorrect application of the principle of subsidiarity, because it is not balanced by the equally important virtue of solidarity.

*Solidarity is not just a vague feeling of compassion, or shallow distress at the misfortunes of so many people, both near and far. On the contrary, it is a firm and persevering determination to commit oneself to the common good; that is to say to the good of each individual, because we are all really responsible for all.*³²

Recognition of this interdependence invalidates moral judgements such as 'independence is good' and 'dependence is bad'. Our social nature and the law of love dictate that we are individuals with both rights and duties which cannot be ignored without the diminution of our human dignity. The principle of solidarity balances and complements subsidiarity because it states that society's institutions must ensure that individuals and families are able to carry out their legitimate responsibilities.

The person who is at the centre of Catholic social teaching is an individual who is sustained by and actively contributes through their daily life to a network of interconnecting personal, social and economic relationships. Consequently, the Catholic social tradition views the wealth produced in a society as the product of the combined efforts of all people and the social system as a whole. It is a 'common wealth', even though the means of its production are most privately owned. However, private ownership is itself seen as a means to an end – the common good – not an end in itself. On these matters, Pope John Paul II has written that

It is necessary to state once more the characteristic principle of Christian social doctrine: the goods of this world are 'originally meant for all'. The right to private property is *valid and necessary*, but it does not nullify the value of this principle. Private property, in fact, is under a 'social mortgage', which means that it has an intrinsically social function, based upon and justified precisely by the principle of the universal destination of goods.³³

The concept of a 'social mortgage' over one's private property echoes very strongly the stance that every individual in society has reciprocal rights and duties which are necessary to promote the

³¹Pope John Paul II, (1991) *Centesimus annus* ('On the Hundredth Anniversary of *Rerum Novarum*'). Homebush: St Paul Publications. n.11.

³²Pope John Paul II, (1987) *Sollicitudo rei socialis* ('On Social Concern'). In D.J. O'Brien & T.A. Shannon, (eds), 1992, *Catholic Social Thought: The Documentary Heritage*. New York: Orbis Books. n.38.

³³ Pope John Paul II, (1987) (1987) *Sollicitudo rei socialis*. *op. cit.*; n42.

common good and to enhance the human dignity of all.

Foremost in the minds of those elected to Australia's Parliaments should be the responsibility entrusted to them by their Electorate to serve the interests of the whole community. Only in pursuing the *common good* will any government be able to achieve its true and proper purpose.

Good government is therefore concerned with more than just good financial management. The goals of public administration go beyond the goals of private management. Efficiency in private management usually equates to profit. In public administration service of the common good is the mark of efficiency, not money saved. Any attempt to judge government on purely economic criteria thwarts the intended purpose of government to serve the common good. Wise government is concerned with maintaining social order through the implementation of a society's responsibility towards its citizenry.

Good government then, is about seeking the development of a harmonious and equitable society in which the dignity of all is equally protected. Most people interact within the economic market to satisfy their needs. Where people are unable to satisfy their needs in this manner the government is entrusted with the responsibility of protecting the human dignity and rights of these people.

In Australia this function is achieved in partnership with the churches and other non-government organisations committed to the development and delivery of community services. To view the existence of social services simply as a response to 'market failure' is problematic on two counts. First, it is a negative perspective of welfare because it ignores the benefits to both the individual and society of encouraging social cohesion or 'social capital'.

Secondly, if welfare exists because the market has failed it would seem somewhat irrational to attempt to apply the market principles of competition to the communitarian commitment operating within the social services sector and the community at large.