It's a paradox that remains unresolved. Acres of prosperity, yet we still have those who seemingly despise Australia's micro-economic reform efforts. Paul Keating was kind enough at a recent book launch to regale us with trademark witticisms on such irrationality, but he provided no real answers. Alas, the Productivity Commission's discussion draft on National Competition Policy (NCP) has also failed on this count.

This is very disappointing, really. The Commission was instrumental in getting things rolling 30 years ago with debate on tariffs. Instead of the inspirational material of the past, the report leaves you with the sense those anxious about further change don't know what is good for them. Apart from being divisive, this is theoretically flawed. Economics says the ultimate goal of reform – enhancement of community welfare – is the sum of each individual's assessment of their own happiness.

If the true "measure" of utility is how people feel, how can we call economic reform and NCP a success with so much apparent anguish? Has something been missed? Are the self-congratulatory testimonies for the doubters – or the "faithful"?

The Commission has failed because it fails to contend with such matters. While mapping out further change is absolutely necessary, it can also be an excuse for avoiding a more challenging read of reality.

Everyday, newspapers are packed with infrastructure-related dramas. Sydney commuters left on platforms. Electricity network failures in Queensland. The Victorian Premier in yet another dust-up over tolls roads and public private partnerships. Minister's squabbling over water reform. And then there's enfant terrible – Telstra.

With the kafuffle, you'd think the Commission keen to revisit infrastructure performance, given its most significant policy influence over the last ten years has been NCP.

The discussion draft is a case study in the over-sensitive, with-us-or-against-us outlook that has over-run our policy debate. There is no deeper reflection on apparent criticism of free-market economics. Without this, there can be no heart-felt acceptance of the conflict and anxiety that has accompanied the reform of infrastructure and other sectors. The existing paradigm is a closed question.

Why haven't we arrived at the perfect world envisioned by economists? The implied answer is that ignorant and greedy types with vested interests, like Bob Katter, unions and the Pharmacy Guild, have forced compromise upon weak governments. Likewise, infrastructure fiascos, burgeoning litigation and harassment by telemarketers – if admitted at all – are temporary glitches relating to the shortcomings of people. The model remains sound.

This insular and one-dimensional viewpoint is akin to suggesting men fly planes into buildings because they hate you. Even if true, it's not at all helpful. Indeed, it is likely detrimental, as it provides an excuse to stop listening and to summarily dismiss calls for a more considered approach.

Rather than using the apparent problems as a basis for delving further into the effectiveness of competition policy, the Commission has recommended more of the same. Other oppressed areas of the economy, like health care, water and natural resources, are to be "liberated" also.

It seems to be a curse: mounting material success attributable to positive reform closes our minds to the possibility that those whining about further change have something credible to say.

But does the success of economic policy automatically make it the complete answer? What if it is better than the alternative, but still only mostly right? What cost, policy righteousness?

Pharmacy regulation is a case in point. The crusade for freedom says pharmacists must give up restrictions that effectively prevent supermarkets stocking non-prescription drugs. Cheaper medicine is surely a good thing. Yet, something deep down also tells us that sacrificing the local chemist may be damaging in a big picture sense.

Pharmacists want proof that further change will be positive. One would have thought this reasonable, given the way infrastructure is performing. Maybe some at the Pharmacy Guild have read Christian Wolmar's book, *Broken Rails*, on what was lost during the rail reforms in the UK: "Under the former British Rail, operating managers attempted to do everything they could to minimise delays and keep the railway running. They did not need the threat of fines or the possible loss of their franchise in order to do so. Their job was to operate the railway and they took pride in that task, often going well beyond their immediate responsibility".

The Commission struggles with such economic intelligence because it conflicts with its principle-based theory. Fair enough. Its hypocrisy, on the other hand, is less defensible.

How can one expect others to have faith in your philosophy – dump protective legislation, let the market work and all will be better than fine – while refusing to take on face value the foreboding of those expected to submit to your doctrine? The Commission places faith in theory over people because it is blind to the possibility that the concerns expressed by others can be anything but self-serving.

According to GK Chesterton, the champion of reform is always right about what is wrong, but also generally wrong about what is right. I hope the Commission tries a little harder with this distinction come final report time.