

Letters to the Editor



Author Christopher Sheil takes exception to Gary Sturgess's review of his book *Water's Fall: Running the Risks with Economic Rationalism*; and Sturgess responds.

I refer to the article by Gary Sturgess reviewing my book, *Water's Fall: Running the Risks with Economic Rationalism* ('Imagined Enemies', *Policy*, Summer 2000-2001). I acknowledge the convention that an author should submit in silence to fair criticism, but when criticism is inaccurate and less than fair, such silence may be taken as a tacit concession. It therefore behoves me to make some corrections.

No, I do not think a managed department is preferred to commercialisation for Sydney Water. *Water's Fall* firmly rejects this idea. My objection, which the book states repeatedly, is not to commercialisation per se, but to the *dominance* of commercial interests because of the risks this poses for the public interest. Far from not saying what should be put in place of the current arrangements, I wrote (at length) in support of new directions for managing utilities, in line with those recommended by Peter McClellan QC, the Chair of the Sydney Water Inquiry. Nor, explicitly, does the book seek to repudiate neoclassical economics in its entirety, let alone the economics profession, just as it was fanciful to say that *Water's Fall* dismisses the last 25 years as a 'plot'. The review in all these respects was wrong.

Two other rectifications will also enhance the record. Firstly, the review focused exclusively on the Sydney contamination crisis, yet the book only devotes three of ten chapters to this event; and Sydney is only the softest of two equally important case studies from which the argument is only partly made.

Secondly, I was astonished to learn that 'in recent years' I have 'rediscovered the socialism of [my] youth'.

The reviewer's telepathic knowledge of my political biography notwithstanding, the book is an explicit attempt to write a contemporary form of social history, and the branch of economics that most frequently informs the work is best described as post-Keynesian. The review in these two respects was weird.

Finally, I must correct the statement that *Water's Fall* claims that the Hunter Water Board was the first NSW authority to be corporatised, a statement employed to suggest that I 'am not much of an historian'. Minor errors of fact that do not affect a work's central purpose are scarcely the test of a historian's ability. Still, I claimed no such thing. Rather, I said that the Hunter was NSW's first corporatised *water* authority (p. 95).

This corrects the main offences, although there were others (such as the strange assertion about 'drinking and bathing'), and I would happily debate many more points; particularly those which, ironically, go to my own so-called 'selectivity'.

In all, the review was a disappointing contribution from such a well-placed critic. To supply a starkly contrasting but disinterested perspective, as it happened, *Water's Fall* was shortlisted for the 2001 NSW Premier's Award for literary or cultural criticism (the 'Gleebooks Prize'). Among their comments, the judges observed that this 'is a book written from a clear understanding of the strengths and weaknesses of economic theory, rather than . . . ideological heat'.

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A Reply...

The difficulty in responding to Chris Sheil's letter is that we seem to be dealing with two entirely different books. I reviewed the book that he wrote, whereas he is defending the book that he wishes he wrote.

For example, in defending his credentials as an historian, Mr Sheil denies he claimed that the Hunter Water Corporation was the first NSW authority to be corporatised. (It was the third.) What he said, he claims, was that 'the Hunter was NSW's first corporatised *water* authority (95).'

When we turn to page 95, we find a brief account of my work in adapting the New Zealand corporatisation model to NSW, followed by this: 'The main implementation phase began after the Coalition's re-election in May 1991. The "first cab off the rank" was the Hunter Water Board. . .' There is no mention of this being the first corporatisation of a *water* authority. The claim is absolute.

Let me give one other example. In his letter, Mr Sheil claims that he does not prefer a managed department to commercialisation. Indeed, he claims that his book 'firmly rejects this idea.' It is not to commercialisation per se, but to the dominance of commercial interests in water supply, that he objects.

Part of the difficulty lies in the book's internal inconsistencies. In the conclusion of his book, Sheil asserts that his work is not an argument against privatisation in general in favour of public ownership. And yet on the very first page he had written, "This

book *aims to* add more substance to the public opposition to privatisation' (emphasis added).

I can find no passage in the book where he firmly rejects the concept of departmental management. Equally, I can find no page where he faults the traditional Westminster model, and not a single paragraph where he finds positive things to say about commercialisation.

I do acknowledge (as I did in my review) that it is difficult to determine what alternative Mr Sheil might prefer to commercialisation. But he does provide us with some direction when he catalogues the failings of commercial management (and of course, there are many), and makes no mention of the numerous failings of bureaucratic management. Wherever he contrasts the two, it is always the departmental model which comes out on top (see for example 71, 132, 142, 156-7, 161-4, 170). Indeed, in several places his criticism of the commercialisation of Sydney Water dates back to comparatively mild reforms undertaken in the 1960s and 1970s (99, 109).

Whatever Chris Sheil may have originally intended to write, as finally published, *Water's Fall* stands as an aggressive attack on the commercialisation of public water authorities. The author may take comfort in favourable reviews, but if what he wanted to write was a dispassionate and balanced analysis of commercial water management, then he failed.

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