

## 2012 Summer Reading List for the Prime Minister

Grattan Institute launched the annual Summer Reading List for the Prime Minister on Tuesday 11 December. 7.30 Report presenter Leigh Sales joined Grattan Institute's CEO, John Daley, and Cities Program Director Jane-Frances Kelly in a discussion of the List. Now in its fourth year, the List contains books and articles that we believe the Prime Minister – or indeed any Australian – will find stimulating over the break. They are all good reads that we think say something interesting about Australia and its future.

**Speakers:**      **Leigh Sales, 7.30 Report Presenter, ABC**  
                         **John Daley, CEO, Grattan Institute**  
                         **Jane-Frances Kelly, Cities Program Director, Grattan Institute**

**AUDIO:**            This is a podcast from [Grattan Institute](http://www.grattaninstitute.org.au).

JOHN DALEY: Good evening ladies and gentlemen. My name is John Daley. I'm the Chief Executive of Grattan Institute, and it's my pleasure to welcome you here this evening. We should start by acknowledging the traditional owners of the land on which this event takes place and acknowledge any elders past and present. Then I'd like to introduce the two people who've joined me this evening to talk about Grattan Institute's Reading List for an Australian Prime Minister.

First of all I have Leigh Sales who will be very familiar to many of you. She anchors the ABC's flagship current affairs program, 7.30, she's been a presenter for *Lateline* (she was their Washington correspondent from 2001 to 2005). Apart from that she's perfectly qualified for this evening. She formerly wrote a blog about books and reading called *The Well Read Head*. Finally, she's recently won a Walkley Award for the best interviews for her work on 7.30 quizzing Tony Abbot, Scott Morrison and Christine Milne. I'm delighted to have her here this evening b.

I'm also joined by Jane-Frances Kelly. She's the Program Director for the Cities Program of Grattan Institute and has authored reports such as *The Cities We Need*, *Cities Who Decides*, *Social Cities* and *The Housing We Choose*. I think they've been a terrific contribution to the debate in Australia about cities, how they work and what they do for us. Her previous career was advising governments on strategy, governments everywhere from Whitehall to Canberra and many other places in between. Doing this list at Grattan Institute was her idea four years ago. She had been involved in Whitehall putting together the list for the Prime Minister in the United Kingdom; there was much internal debate about what should be put in this box so that (hopefully) he would go away and read it. We won't ask whether, in fact, he did. We certainly won't ask whether there was a test afterwards!

So tonight we have the summer reading list. This is the fourth year that Grattan Institute has published this. What we aim to do is to highlight a number of works that have been published recently that have something to say to policy makers, and that are well written and therefore, a pleasure to read, partly for a Prime Minister and more importantly for many other people inside. We do send the list, and indeed the books, to the Prime Minister, but we don't ask her whether she's read them and we certainly don't administer a test. But we hope that this is something useful for those who are interested in policy, and something interesting for those who are related to those in policy. If nothing else, we hope it will save them that horrible problem about what to buy people for Christmas.

This evening we've got six books that we'll talk about. The first of these is *The Words That Made Australia*, edited by Robert Manne and Chris Feik. It's a collection of extracts about what made us Australian, whatever that might mean, over our history. It starts with Miles Franklin in 1901 writing about herself as a child of the mighty bush, and it finishes with Ghassan Hage writing about the trees of his Lebanese family, planted in an Anglo backyard on Aboriginal land. So Jane-Frances, as someone who is an Australian, but didn't necessarily come from here, what struck you about Lebanese families and Anglo backyards and Aboriginal land?

JANE-FRANCES KELLY: One of the things I loved about this book is that it included a lot of voices from migrants, which was fantastic, from women, as you said, Miles Franklin was the first voice in the book, and Indigenous Australians. And I thought that the selection of Indigenous Australians was particularly good. I would love to have added Redfern, although it's probably unfair this week to make that comment. I spent a couple of mid-winters up in Cape York working for Noel Pearson and he said to me, pretty much on day one, "you have to read Bill Stanner. That's how you're going to understand this stuff that I'm talking about". I think it's possible that this extract is out of a book that's out of print called *White Man Got No Dreaming* by Bill Stanner, which is an extraordinary book – it would be great if it were back in print. Reading Stanner and Noel Pearson and so on meant that when I first heard the Redfern speech, probably about five years ago, I understood it so much better. It's also fascinating to me as a new Australian and also as a Cities Program director to see what it says about suburbs. You know it really shows the love-hate relationship around suburbs, and the polarisation of views around suburbs. And of course Australian suburbs are not one experience: one person's freedom and space to bring up a family is another teenager's desolate prison. And we do see both sides of that in the book. And Hugh Stretton shows us all, you know, back in 1970 (before I was born) that it is all a trade-off. It acknowledges that we don't all want the same thing, and luckily we have more choices. So yeah, as a new Australian it was an absolute pleasure to learn more about my new country.

JOHN DALEY: Certainly I think one of the things it illustrates is how much Australia has changed. Our image started off with the bush, went to the suburbs, now a lot of it's about the inner city. We started with an Anglo focus. Mettin in 1908 was writing about an English society existing in the antipodes and today we've got Malouf writing about a loosely Mediterranean style of living, a world in which it used to be about masculine mateship to obviously a much more gender plural world, from Aboriginal protection and segregation to black armbands to Noel Pearson talking about passive welfare. Clearly, although our image of Australia is boring and nothing's ever happened in 100 years, it's a radically different place. So Leigh, which things struck you as having changed most?

LEIGH SALES: I must say the main thing that struck me reading this book was that I was delighted with the inclusion of an extract from a DH Lawrence novel, *Kangaroo*. The reason that I was pleased is because I meet a lot of people who work in policy and who work in politics who don't read fiction. And I've had a friend say to me "well why would I read fiction?" He sees it as a waste of his time. I think that's a terribly sad attitude because fiction sparks our imagination and it puts us in touch with people's emotion. I'm sure we've all seen every now and again a newspaper will run a piece about politicians and their favourite books and they will say *1984* or *Hamlet*. And you think 'well have you read anything since Grade 12?' So I was delighted to see the DH Lawrence extract in there. The book was in part inspired by a visit that he made to Australia. He was clearly not a great fan of Australia and was quite homesick for England. He described Australia as this London of the Southern Hemisphere which is a poor substitute for the real thing, as margarine is for butter.

Also it's fascinating to get the insights of a foreigner into your own country because they sometimes bring clarity and a sharp way of looking at things that we can't see ourselves. There was an extract in this section of *Kangaroo* where he writes about the bush which Australians have a very romantic notion of, in part. And I just wanted to read it because it's such a fantastic piece of writing. *Therefore he lets himself feel all sorts of things about the bush. It was so phantom-like, so ghostly, with its tall pale trees and many dead trees like corpses, partly charred by bushfires. And then the foliage so dark like grey-green iron. And then it was so deathly still. Even the few birds seemed to be swamped in silence, waiting, waiting. The bush seemed to be horribly waiting. And he could not penetrate its secret. He couldn't get at it. Nobody can get at it. What was it waiting for?* When I read that, I felt like that's exactly how I feel about the bush, you know, it's quite menacing to me.

The other thing in this collection that leapt out at me was an extract from Paul Kelly's book, *The End of Certainty*. He talks a lot about the White Australia Policy and how central it was to Australia across the decades. It was really interesting reading it in light of the debate that we've been having recently about asylum seekers, and thinking that even though that policy was dismantled many years ago, it's amazing how just ingrained it is in the nation's psyche and how

even today some of the ideas and fears that underpinned White Australia still run through our society.

JOHN DALEY: And Leigh, there's also a lovely extract in it from Hancock about what kind of democracy Australia is. Do you think he's still right?

LEIGH SALES: He writes in that essay that Australia is a society and a country that has always had a need for strong government – that's a hallmark of our democracy. He quotes somebody who says new countries always demand ample government, and Australia was a country like that. People had relocated from a great distance, they didn't have any of those institutions anymore, they didn't have their regular social structures. So basically new settlers expected collective action and they expected the state to basically run that. Hancock's view is that the Australian democracy has its genesis in the view that the state is a vast public utility. And I think that feeds into another of our books too.

JOHN DALEY: I think it's interesting if you look at the Paul Kelly extract about the *End of Certainty* where he lays out what was the great Australian settlement from 1901: high tariffs – gone, White Australia – gone, with the rider that you raised, industry protection – gone, wage arbitration – more or less gone, imperial benevolence – certainly not the same empire. But the one piece that's still there is state paternalism. And I guess that's what Laura picks up in *Great Expectations* – is that how you read it?

LEIGH SALES: That's right. And she touches on something that I read. A columnist in *The Daily Telegraph*, David Penberthy, wrote about a while ago when there'd been a series of shark attacks in Sydney. Everyone was saying what's the government going to do about it? And Pembo said 'well what do you want them to do?'. Come out with the slogan, *Tough on sharks, Tough on the causes of sharks?* So Laura Tingle's essay, which is a wonderful, very crisply written book with a very clear argument, and very well supported by historical evidence, goes through this idea that Australians have great expectations of their government and that we demand a lot from them. She traverses some of the territory that's in *The Words That Made Australia*, running through our history as to why this has been the case, why we've developed this national identity that we fear a little bit that we're being ripped off and that somebody's coming to take our stuff away from us – to take our land and to take our jobs. And there's some really lovely stuff in it where she talks about Governor Macquarie perhaps being the first leader about whom Australians grizzled for doing both too much and too little. Once she's gone through the history of why Australians ask a lot from their government, she talks about what we should do about that.

JOHN DALEY: You've interviewed a lot of our leaders. Do you think they've changed?

LEIGH SALES: It's interesting because Laura's essay talks about Hawke and Keating and the enormous changes they had to make with the economy to deregulate. I was thinking how hard they must have had to work to persuade the nation that dismantling protectionism was really in our national interest. And today I see lots of examples of where politicians put out a policy and the public reaction is negative so they back away from it, and then they might change their mind back again. I think that sometimes the electorate respects people who actually stand for something and push it all the way through. So it was interesting to read Laura's essay in light of that. The other thing that came through to me was that politicians create part of this problem themselves. It's not just that the public expects a lot, politicians build people's expectations, particularly in election campaigns. We just saw it in the United States over the past four years with President Obama: people felt very disillusioned about the sort of sweeping mantra of hope and change that he came in with and then a lot of people felt didn't deliver on. We're going to see it in Australia increasingly in the election campaign. Already so many promises have been made without any idea of how they're going to be funded and sadly that will only get worse, and build expectations further.

JANE-FRANCES KELLY: The only comment I have to make on this is that I don't think it is a particularly Australian phenomenon, these great expectations. Australia's not the only country where people expect a lot of their governments. You know, Bush came under a lot of criticism for under-reacting to Katrina. And in the UK people are looking to government to pick up what

insurance companies are not doing in terms of flood insurance and so on. So yeah, we in Australia, are not completely Robinson Crusoe in that.

JOHN DALEY: Do you think there's any chance that someone in Australian government will level with the people and say, actually there's a bunch of things we can't do?

LEIGH SALES: They'll probably have to at some point, because they're just not going to have the money. At some point someone will have to figure that out unless they can find a way to inject a lot of cash into the economy. But I think they will. Picking up on Jane-Frances' point, that when I was Washington correspondent I covered Hurricane Katrina and I had to go down to New Orleans. It was in the era after September 11, and we were always getting these things from the government: you should stock up your house with water and duct tape and plastic, and this sort of stuff. I used to live one kilometre from the White House and I thought if anything happens either I'll be dead or the government will come because they're only a kilometre away. Then I went down to cover Hurricane Katrina and I realised the government does not come! So I started home and stocked up on water and duct tape, as demanded.

JOHN DALEY: That leads us to the next book in terms of *Kinglake-350*. Jane-Frances, why don't you tell us about this one?

JANE-FRANCES KELLY: This is an extraordinary book. I read it in one sitting. I was down at a friend's place in the bush west of Melbourne and I'm glad it was winter when I read it! Essentially I sat down about 10:00 in the morning and barely got up I was so addicted. This book is so compellingly written that when I got up to pick up a shawl, I walked with the book open in front of me. It's not true that I banged into the wall but I nearly did. I mean you just couldn't put it down! And when the friend I was staying with saw how engaged I was in the book (and I had to leave mid-afternoon the next day) she got up at 7:00 in the morning so that she could read it before I had to leave with the book! That's how compelling it is. It conveys something of the terror. It's a careful non-fiction account but you can tell that Hyland has drawn on his skills as a novelist to make the level of tragedy somewhat approachable by using an imaginative account of a dying family, which was harrowing and dignifying as well. The other thing I found so refreshing about this book is that by following a local police officer and other locals on Black Saturday, it takes a very different approach from a lot of the reaction to the fires, like the Royal Commission and so on, which were examinations set up to be adversarial and assign blame and so on. This book is able, therefore, to approach the kinds of truths which are just as important but which you can't get at in those types of enquiries.

JOHN DALEY: Leigh.

LEIGH SALES: I also thought this was a fantastic book. It was my favourite of the selection. I couldn't stop reading it, I was up until one o'clock in the morning reading it and then I couldn't sleep because it was so chilling and terrifying. It was, as Jane-Frances says, particularly compelling because of the way in which it's written, a style called narrative non-fiction. This means that it basically reads like a novel but it's non-fiction. It follows the tale of this policeman, Roger Wood – that's the spine of the story – and then everything else hangs off that spine. It dips in and out of other things. It basically reads like a horror novel because the fire itself is pretty much an unseen menacing character that you're waiting to come and attack: like a monster basically. It was a very chilling book. The effect of the fact that it was written like a novel meant that I retained a huge amount of information from it, because it has all these fascinating little anecdotes about things to do with bushfires, and also arson in Australia. There's a section that was particularly interesting about arson. It says that there are 54,000 bushfires around Australia each year. Experts now believe 20 to 30 thousand of those are deliberately lit, which is very chilling because we live in a very fire-prone nation. Arson costs Australia about \$1.6b a year. It has an enormous environmental impact. The 2003 fires, for instance, increased this country's carbon emissions by a third. There are only convictions for about one per cent of deliberate ignitions. It was incredibly fascinating reading that!

JOHN DALEY: And those people who are convicted, all have these, by and large, very poor backgrounds, very low self-esteem, very low rates of earning. On the other hand maybe that's just because they're the ones who get caught.



LEIGH SALES: This was part of the problem. The book explains that it's very difficult to catch these people because obviously the evidence is frequently destroyed. Something else that stuck with me was that 27% of Black Saturday victims were found in the bath. It's a myth that the bath is the safest place to go in the house. Most people die in the bathroom because there are no escape routes other than the door into the bathroom. So look, it's full of interesting things like that. One other thing that stuck with me was that there have been many inquiries after devastating bush fires like this. In fact in 1939, after the Black Friday fires, many of the same recommendations were made as the recent Royal Commission made, and yet they weren't put into place!

JOHN DALEY: It makes us wonder whether we do the right things with those Royal Commissions. I mean maybe next time there's a really big fire, the thing that the Royal Commissioner should do on Day One is say we're not going to bother investigating the causes of this fire and what we can do about it because we actually already know. Instead, let's work out what's wrong with our institutions and why we never get around to dealing with things that we've been told time and time again need to change.

JANE-FRANCES KELLY: So we've talked about how compelling and how much we've learned from this book. It's transformed my understanding about living in the most bushfire prone area of the world. But why for the Prime Minister? I think it just teaches us so much about our country and ourselves in a really compelling way.

JOHN DALEY: It does tell us a lot about wildness and I guess that brings us to our next book which is the *Rambunctious Garden*, by Emma Marris. In it, she talks about what is wilderness? She's having a go at the idea that there is no such a thing as pristine wilderness. If you look at our world today, you can't find anywhere in the world that hasn't been materially changed, and more to the point, we can never go back to this pristine thing. In particular, there used to be large animals pretty much everywhere around the world. When humans arrived, wherever they arrived in the world, they killed them off and huge numbers of species don't exist anymore that did exist one hundred thousand, two hundred thousand years ago. Pretty much anywhere in the world these days has got a substantial number of introduced species. And climate change means a lot of environments just aren't the same anymore. And therefore she's essentially saying we've got this image of wilderness, but there ain't no such thing. She finishes talking about nature in urban areas.

LEIGH SALES: And her argument is that there is no such thing as a pristine wilderness and that the most, what we would consider pristine wildernesses are actually very heavily managed because they have to be to keep invasive species out of them. Once she carries you to that point, she basically argues that we could have a wilderness anywhere, or a rambunctious garden anywhere. She has this really interesting example of a river in Seattle; it goes through the centre of Seattle and it has heavy industrial areas all around it. And it's in very bad shape. So people in Seattle have decided that if you can never get it back to what it was, and they want to keep industry in these areas, they're trying to introduce areas of nature around the industrial area. There were these really interesting things that she had about setting up on the roof of Boeing, a green room, where you create a habitat for plants and bugs. You replicate shallow soil systems on the roof that suit things like orchids and ground nesting birds. She talks about industrial buildings often having a lot of exposed concrete walls, and then using those cliff-dwelling species of vines and birds of prey and things like that, salty waste water pools, introducing birds and salt-loving plants into that environment. So basically just thinking as creatively as you can to get some nature into places where traditionally we wouldn't think of as natural in any way. Trying to integrate it all a little more.

JOHN DALEY: She has a lovely last chapter talking about the purposes of environmental policy. And I don't think that's something we talk about very often. It's just green and cuddly, so, you know, that must be okay. Instead she really breaks it apart and says we're trying to do a series of different things, and they're not all perfectly aligned. We're trying to preserve as many species as possible, we're trying to preserve as many different ecosystems as possible, we're trying to preserve what she describes as the charismatic mega fauna (which is the best euphemism I've ever heard for cute and cuddly). We're trying to prevent extinctions, we're trying

to promote species diversity in any one particular place, we're trying to promote environmental services, we're trying to promote aesthetic environments. And I think what she does really well is just tease each of these different purposes apart and say environmental policy is about serving all of these ends in different ways at different times to different extents. I think that's such a sophisticated way of talking about environmental policy and it'll be great if we saw a bit more of it.

LEIGH SALES: Bet a lot of environmentalists would find it very controversial.

JOHN DALEY: Yeah, they will find it controversial. But this is someone who has done a huge amount of writing for science and for nature, she's visited most of these places, she's clearly passionate about the environment, she's just got a really sophisticated view of what you can do. When most of Hawaii is overrun by invasive species, hacking it all down is impractical and wouldn't leave much. That takes us to urban environments and to *The New Geography of Jobs* by Enrico Moretti, which is essentially about where are jobs and where are cities? Jane-Frances, this is your patch, what did you take away?

JANE-FRANCES KELLY: Yes. I mean I do love nature as well. And you know, and all respect to her for using the word rambunctious in a title. It's just fantastic. So a quick kind of précis of what Moretti is talking about in this book: he's essentially saying that industries that depend on human ingenuity are driving jobs growth in America. Internet businesses, scientific research, finance industries and so on. And we're expecting the rollout of the NBN in Australia. But despite the hype, Moretti points out that in these jobs it's actually more important than ever that people work face to face. It's how that kind of work is done. They don't have to be face to face all the time, but for a significant amount of it does. And one of the things resulting in America (and I'll come back to the implications for Australia) is that high value jobs that are done by people who are highly educationally qualified are bunching together – American cities are increasingly diverging by education qualification. And that kind of segregation is only going to continue growing. He says that those knowledge-intensive jobs are also important because they have a strong multiplier effect, not just for people in highly skilled work, like lawyers and bankers and so on, but also for more low skilled positions. Those low skill jobs pay more in the cities, which are hooked into this kind of economy. So far from becoming less important, where people live and what jobs they have access to matters more than ever. Now that's America, right. America is not Australia. But there is a phenomenon in Australia, which we've been noticing for a while, that in major Australian cities we are seeing a growing polarisation of where people live who have different levels of education qualification. And given the economy in Australia is evolving in the same kind of direction, towards more knowledge intensive industries, we really need to ask some questions triggered by this. It will express itself very differently in Australia. We don't have the many mid-sized cities that they have in the US, but we really need to ask a question: is the structure of our cities potentially dampening the amount of economic activity and growth and productivity we should be expecting? And do people have the access to opportunities that we want them to have, that a fair go requires? So we're doing that work right now.

JOHN DALEY: Yes. And I think one of the things that is not well known, is that not only do we have this segregation where people with higher incomes are in the centre, and lower incomes are on the outside, but we also have a segregation about where people work. Those people on the edges of our cities by and large don't work in the centre of our cities. It's often as low as two or three per cent from the outer suburbs.

JANE-FRANCES KELLY: But it's important that they should have access to those higher incomes.

JOHN DALEY: Absolutely. That's my point. It's becoming very segregated.

JANE-FRANCES KELLY: Yes.

JOHN DALEY: Leigh, which stories did you take away from this?

LEIGH SALES: I was going to elaborate on the multiplier effect stuff that Jane-Frances alluded to, because it was really interesting when they actually gave examples of how that works. One of the examples was about San Francisco and where Twitter is headquartered. It said that for every one software design job that's created at Twitter, it creates five additional jobs outside the sector: waiters, hair dressers, yoga teachers, lawyers, doctors and so on. Apple, in Cupertino directly employs 12,000 workers but through the multiplier effect it generates an additional 60,000 jobs for that economy. There was also a really interesting historical example about Microsoft and the decision when it was made about where to headquarter Microsoft. It originally started in Albuquerque in New Mexico, but Bill Gates and Paul Allen, who were the founders of Microsoft, were both from Seattle and so they wanted to move back to Seattle. So they made the decision to relocate Microsoft from Albuquerque to Seattle for no other reason than they were from Seattle.

JANE-FRANCES KELLY: And that was in the days when Seattle was falling apart.

LEIGH SALES: Seattle had a manufacturing base and it was not a very happening city. It was quite a strange decision actually to move from Albuquerque which at the time was a very strong city. But that occurred in the 1970s and it had profound impacts for both Seattle and Albuquerque because it's helped turn Seattle into an innovation hub with all those extra jobs due to the multiplier effect. The most stark example of what has gone on is that in 1970 the number of college educated workers in Seattle was only about 5% higher than Albuquerque. Today it's 45%.

JOHN DALEY: And one of the things that I loved was a little piece about waiters. If you take the 10 cities in the United States in which waiters get paid the most, seven of them are high tech cities. And that, I guess, is the human story behind the more detailed statistics he's got about these cities: looking at what percentage of the people in the city have high levels of education. Essentially, as you were saying Jane-Frances, in cities high proportions of the population have high levels of education, and they get paid more and the people without higher education also get paid more.

JANE-FRANCES KELLY: The other thing is that the house prices go up in those cities. So if you have lower education qualifications and you're from a city that has not hooked into that economy, you are getting increasingly locked out because you can't afford to move to that city. And again that should trigger questions for us. The last thing I'll say about this is you can get through this book in a few hours. It's really well written and entertaining and it's full of detail, which we like, but not too full of detail. You know, we go through this process at Grattan of starting with 40 books or whatever and we all read stuff and so on. This book, probably of all the books on the list, has been the most high demand at Grattan. I think at least 10 people have read it. The refrain 'who's got a Moretti?' is quite common at Grattan. And Leigh will attest that the copy that we posted to her is covered in notes and page turns and so on and we've already said to her downstairs, can we have that one back please? We'll give you another one.

JOHN DALEY: So that takes us to a rather thicker book which is Daniel Kahneman's *Thinking Fast and Slow*. Leigh, how do you think differently about thinking, having read it?

LEIGH SALES: This was also a fascinating book, probably my second favourite after the Kinglake book. I kept wishing to skim it because it was so thick but it just kept sticking its tentacles onto me. I couldn't get away from it. So to summarise very broadly what it's about, is the way that we think and the reason. He describes your brain as two separate things, system one and system two. System one is fast, automatic, intuitive, unconscious. System two is slow, deliberate, analytical and effortful. So when I say to you salt and, the word pepper springs to your mind without you thinking about it and you almost can't stop the word pepper springing to your mind if I say salt. System two is what activates when I ask you to work out in your head 27 times 13. It doesn't, unless you're a genius, automatically spring to mind. Now most of the time we rely on system one, and most of the time it works very effectively for us. System two is lazy and it tires very easily. But system one is subject to all sorts of cognitive biases and Daniel Kahneman has spent his career studying these biases. And when I tell you some of them you will think oh, I don't do that. But really sound research indicates that you do. So for example, one is the halo effect. If you see a sportsman who is good looking, you will be inclined to think

that he's going to be good at sport. Good looking people, we think, are going to be good at what they do, which often isn't the case. Another one that was really interesting was he talks about a bias. He did a famous experiment called the Linda Experiment to illustrate this. So what he says is so the situation presented to a group of people was that Linda is single, outspoken, very bright and as a student she was very concerned with issues of discrimination and social justice. What is more probable: A, Linda is a bank teller? Or B, Linda is a bank teller and a feminist? Eighty-five per cent of Stanford grad school business students said B, based on the information that was provided. Linda is probably a bank teller and a feminist. But that conclusion defies the basic laws of probability that we all understand, because every feminist bank teller is a bank teller. So adding that extra layer of detail only actually reduces the probability. So often we can be provided with extraneous information that we don't really need, and it leads us to draw an inaccurate conclusion. The best example I can think of, of faulty system one thinking is President George W Bush, who was known for reliance on gut, and publicly said on numerous occasions that he relied on gut to make decisions. Bush said of the Russian President, Vladimir Putin, that 'he looked him in the eyes and took the measure of the man'. But relying on instinct and relying on gut works sometimes, but only if you have experience in your life that gives you sufficient expertise that your gut is reliable. In that case George Bush, didn't have any experience of being a president or working in foreign policy, so gut is not a very reliable ...

JANE-FRANCES KELLY: He needed informed gut.

LEIGH SALES: Exactly. So gut is not a very reliable indicator. Malcolm Gladwell in his book *Blink* hypothesises that you need about 10,000 hours of experience at something before your gut is a reliable indicator. There are examples of great tennis coaches who can tell if a serve is going to be a fault from the second the racquet hits the ball. If you pause the shot there he'll be able to tell you straight away if it's going to be a fault, because he's watched so many great serves that they just know from their gut what's going to happen. So this book runs through two dozen of these cognitive processes that cause your gut to be not quite so reliable.

JOHN DALEY: Jane-Frances, you were lucky enough to study under Daniel.

JANE-FRANCES KELLY: Yes, but it wasn't me who first suggested this, I promise. I think this is great because if you want to know more about how we function as human beings and how it effects our decisions, including as economic actors, this is essentially the state of the art of behavioural economics and therefore incredibly important for someone like a Prime Minister to understand. There's two things it makes me think of. About 10 years ago I was working with a young government economist in London. We were working on early years policy and he produced this robust economic paper on how young single mothers perhaps behaved and so on. And I said, this is great but you know there is another discipline which seeks to understand human behaviour which is psychology – it would be great if we could bring some of those insights into the economics as well. He said to me, 'Jane-Frances, if I could build the bridges between psychology and economics, I'd win the Nobel Prize, but we've got four hours to get this report out', which was the best bit of upward management I've ever known! That shut me up instantly. Two years after that Daniel Kahneman won the Nobel Prize for economics. He's a psychologist. And yes I was taught by him at Princeton because when I did a policy degree there, they made Applied Psychology for policy making a required course along with economics and statistics. I thought it was a good thing. He's a gifted teacher and a charming man, and this comes through in spades in his writing. You'll enjoy his company in the book.

JOHN DALEY: Yes, it's a terrific book. Now, what we won't talk about for too long is something that we've added for the first time at the end of this, which is the summer reading list for Wonks. What we've been talking about tonight are the books that we hope will be read by people who watch the *7:30 Report*, and this is the list for people who watch the *Lateline*. So for those of you who are serious policy tragics, there's a whole string of things here. Max Cordon's piece on the Dutch disease in Australia is a terrific romp through what's really going on in terms of structural change in Australia and, more to the point, what governments can or can't do about it. The Revolution Foundation's report on gaining from growth which is essentially about what's happening to lower and particularly middle United Kingdom and what governments can do about it. Jeff Borland's piece on industrial relations and the extent to which there really is a problem – it is an exhaustive attempt to go through a whole series of issues which people talk



about in terms of industrial relations and actually try and get the numbers and evidence behind them. A piece towards a new financial language which is actually, although it's talking about financial languages, about standards and the role of government in setting standards and how often that the business of setting standards can be a key thing in terms of changing how things work. We've talked about the fact that we have too many expectations of governments and this is something where governments if anything perhaps underrate their ability to have an impact in the long term. Atul Gawande's 'Big Med' – I will confess I'm a complete Gawande fan. If I could be a surgeon as good as him, a policy maker as good as him, or write as well as him I would die very happy. But there's no guarantee of any of those three things. This is his piece about how medicine is organised. Historically it's been a bit of a cottage industry in terms of its organisation and he's just asking if are there better ways of organising it. Very famously he draws an interesting comparison between restaurants that we all go to and an outfit in the US called The Cheesecake Factory which despite its name is a relatively upmarket restaurant chain.

JANE-FRANCES KELLY: That's like 450 menu items or ...

JOHN DALEY: Yes, but with 450 menu items and every single item actually cooked fresh on the premises from the original ingredients. It's a really extraordinary business model. *Madmen, Intellectuals and Academic Scribblers* is a book which, for those of you who have forgotten all the public choice theory that you learnt in university, is a terrific romp through that and just reminding ourselves that politics inevitably delivers outcomes that are not necessarily in the public interest. Interestingly it goes on to say that sometimes ideas can actually trump the politics and the special interests. And then finally a piece on how stereotypes can drive women to quit science, talking about the way that we stereotype people and how our very own stereotypes of ourselves can lead to us to make choices. Most of those are available on the web and you'll see that the web addresses are there.

So that's this year's reading list. As you can see, Grattan Institute has had enormous opportunity to make choices about what we think would be useful for a Prime Minister to read. But I guess what we'd be fascinated to hear is what you, as an audience, think ought to be there. So can I ask you to volunteer a suggestion of a book that should be here but isn't, and why would you add it to the list? We have roving microphones, so anyone who has a suggestion, please put up your hand. What's missing from the list? What should we have added on for the Prime Minister and why?

LEIGH SALES: Would you add anything, Jane-Frances?

JANE-FRANCES KELLY: No, no. I was involved in this choice.

JOHN DALEY: Leigh, what would you have added?

LEIGH SALES: In all honesty, if I were designing the Christmas reading list for the Prime Minister, I would say get away from it all with a couple of trashy Hollywood biographies and some back issues of *Vanity Fair*. That's what I'm going to be reading. I know that this is going to sound a bit sucky, but the book I actually would have liked to see on it was James Button's – who works at Grattan Institute – book *Speechless: A Year in my Father's Business*, which was just an excellent book and it really taught me some stuff that I didn't know about the way government works and particularly the way public service works. A bit like Adrian Hyland's book, it was just such a compelling personal story that it really held your attention all the way through. I thought that was a great book about Australian public life and the way we make policy.

JOHN DALEY: And it also contains a lot about the morality of a choice to be a journalist rather than a politician.

LEIGH SALES: Yeah, it was a really great book, I loved it.

JANE-FRANCES KELLY: Maybe we should ask the audience for their suggestions.

AUDIENCE: Mine is a classic, it's not from this year. I don't know if that disqualifies me from entering it. But I think that *Strunk and White* (The Elements of Style), the style guide on how to

write would be so useful for anyone even vaguely involved in politics, which includes the Prime Minister. I think that everything that I ever read that comes from Canberra is full of holes.

JOHN DALEY: Thank you.

LEIGH SALES: That point is made very effectively in James Button's book as well, that people, both in terms of public speaking and writing, don't actually understand what good communication is. It's not reading big long policy wonk type sentences, it's talking clearly.

JOHN DALEY: Thank you.

AUDIENCE: Mine's not from this year either, but definitely the best book that I've read this year that changed the way I thought about a lot of areas of policy was, I can't remember the author but *The Brain That Changes Itself*. In terms of implications for disability policy, aged care, health, a whole lot of areas basically debunking the myth that our brains and the way we think are set in stone as children and that we then have to manage with the limitations of that. And turning that on its head and providing a lot of evidence about what can be done to change your brain as an adult, or post-injury.

JANE-FRANCES KELLY: It's Norman Doidge, and there's hope for us all.

JOHN DALEY: I guess particularly given the comments we had earlier about the need for Australian leadership to adopt a different tack, maybe that's exactly what we need.

AUDIENCE: The other book I suggest is one that came out very recently by Nassim Nicholas Taleb, it's called *Antifragile*. It's a fantastic book about how we live in a world which is incredibly complex. It's effectively a guide of how to live in this world that we understand a lot less of than we would like to think that we understand.

AUDIENCE: My suggestion would be *Collapse: How Societies Choose to Fail or Succeed* by Jarrod Diamond. It's a book about how decisions of past societies have led to their eventual demise such as the Mayans, or those on Easter Island. It's also got some really interesting chapters about contemporary Australia and China. I think it would be quite pertinent given climate change and other threats like that.

JOHN DALEY: Thank you.

AUDIENCE: I was going to say that if anyone does want to follow Stanner, Black Inc. published *White Man Got No Dreaming* under the title *The Dreaming and Other Essays*.

JANE-FRANCES KELLY: Ah, yes, I do have that.

AUDIENCE: I do think the Prime Minister and everyone else should think, in part at least, about climate change. It seems to me to be the overwhelming issue of our lifetime, my lifetime. The book that I learnt a lot from, I found fascinating, was from one of the people at the centre of the wars, Michael Mann, *The Hockey Stick and the Climate Wars*. I found it really illuminating. I was surprised a scientist had political savvy beyond most political scientists. I found it very interesting, so I'd put that in.

JOHN DALEY: Thank you. Next?

AUDIENCE: If we're going oldies but goodies, I'd recommend Peter Doherty's *The Beginner's Guide to Winning a Nobel Prize*. I think the saddest part of that book was he did his Nobel Prize winning work in Australia, and then he left. If we're interested in climate change, if we're interested in promoting science, we need to think about how we do that economically.

JOHN DALEY: Although it would be a fantastic thing for a country to have somebody who had won a Nobel Prize, although I suppose Czechoslovakia had a president that had won a Nobel Prize.

JANE-FRANCES KELLY: No, Vaclav Havel actually turned it down the year that he was offered it because Aung San Suu Kyi was under house arrest at the time. I used to work for Olga Havel and she told me that story, but she was probably biased.

LEIGH SALES: Barak Obama's got one.

JANE-FRANCES KELLY: That's right.

JOHN DALEY: Anyone else?

AUDIENCE: Thank you. One book I recommend that is so rooted in 2012 that it's not available in paperback (it's an e-book), was *The Rent is Too Damn High* by Matthew Yglesias. It's a neoliberal take on how housing can be reformed to improve the wellbeing of low income households, and how housing affordability is often propped up by regulations or rather it's unaffordable because of restrictions on land use, restrictions on building and limitations on how we can build in such a way that restricts the supply of housing, keeps house prices high and that invariably hurts low income houses more than rich income houses. I think that would be a very pertinent follow-on from *The Geography of Jobs* and very salient to Australia where house prices are such a critical issue.

JANE-FRANCES KELLY: So that question came from an intern at Grattan this year and we'll definitely get you reading *The Housing We Choose, What Matters Most*, and *Getting the Housing We Want*, because I don't think your analysis is quite right, but read the Grattan research.

JOHN DALEY: So, Leigh, as someone who used to blog a lot about books, what would you take away from all of this?

LEIGH SALES: I thought you were going to ask me what was the most interesting book I'd read this year, which had nothing to do with public policy.

JOHN DALEY: Well, no... tell us that then.

LEIGH SALES: It was a book called... I can't remember what the title actually, but it was by Tyler Hamilton. He was a cyclist on Lance Armstrong's team. Now I know nothing about cycling.

AUDIENCE: *The Secret Race*.

LEIGH SALES: *The Secret Race*. I could care less about sport, but it was so interesting, it was unputdownable. I had to skim it because I was interviewing Tyler Hamilton and I didn't have much time, so I started reading it and I said to my producer, we're in trouble 'cause I can't skim it! So we tore it in half and he took the back half and I took the front half. It's so fascinating about how you go into a sport as an idealistic young person and end up becoming a drug cheat but you don't actually see it as cheating. It was just absolutely fantastic. What do I take away from all of these? They're all so diverse, it's hard to say one message other than that I think we need to be more thoughtful, I suppose, and more bold in the policy decisions that we make.

JOHN DALEY: Do we read enough books in our policy life?

LEIGH SALES: I think probably not. The pace of public life is so fast now that people don't have time to actually sit back and read and think. Wasn't there a conversation that was inadvertently broadcast between (I think) Barak Obama and David Cameron where Barak Obama was talking about the need to have actual thinking time and to carve out thinking time? Sadly, for a lot of our political leaders, there is not a lot of it.

JOHN DALEY: I know one of the things that many people talk about, and I guess Laura Tingle talks about in her piece, is the way that our politics is not making very much progress. Or maybe it links back to Kahneman: we're thinking fast the whole time. You can see the imperatives to do that every minute of every day. But as he points out, you don't get very much done when you think fast.

LEIGH SALES: The other thing that did leap out at me in the essays book, and in Laura's book, was how essays that were written in the '30s, '40s, '50s, '60s: people identified some of the national traits that you still see in Australia today and were quite pessimistic and anxious about how the future would look for Australia. Donald Horne was one of the people that expressed that view, Hancock was another. It was quite interesting to read that. It made me feel a little bit anxious actually. I don't think we've addressed some of the things that were raised.

JOHN DALEY: Although one of the interesting things is, not all of them, but then some of them really did get nailed over the '80s and '90s. As I said, one of the things that really struck me reading that collection is this is such a different place to 30 years ago, let alone 100 years ago!

JANE-FRANCES KELLY: That's one of my conclusions. First of all, this is the first time I've met Leigh and I just love the pen throwing, the stories about ripping books up, it's fantastic.

Some work that I did in government in London before I came over here was published and then covered in a lot of press or FT and so on. *The Times* did a series on it over the course of a few weeks. One of the things that they wrote about governments has stuck in my head since then. It says governments are constantly overestimating what they can do in the short term, and underestimating the difference they can make in the long term. I think that so much energy and attention goes into the shorter term stuff and too little into the longer term stuff, even though it's those longer term things that will really make a difference.

LEIGH SALES: That's because of outcome bias, explained in Daniel Kahneman's book.

JOHN DALEY: But also I guess it goes to the importance of prioritising that long term stuff – you don't need to pick off many things to make a really big difference if you nail the big things the first time.

JANE-FRANCES KELLY: And you can't predict what things are going to turn out to make the long-term difference because it's very complex.

JOHN DALEY: Yes, I think that's right. Let me wrap things up here. Firstly, can I thank Leigh and Jane-Frances for being so wonderful and cooperative. I'd like to thank Readings (who will be selling the books afterwards) for their cooperation. It's a partnership that we formed this year and it has meant that we could ensure that all of these books would be available in Australia when we put the list out. Now is not the time to have a rant about the evils of parallel importation rules, but thank you very much to Readings. Up the back, at the conclusion of this event, there'll be a table where you can donate to the [Australian Literacy and Numeracy Foundation](#). We thought it was appropriate in this Christmas season to have someone that we could work with who improves the lot of others, not through government, but through their agency. Can I thank the Grattan staff who've helped put together today's event. Our events team make it all look very seamless and I'm acutely aware that they are paddling very hard underneath the surface. Given that this is the last event for Grattan Institute this year, I'd just like to thank all the staff of Grattan Institute. It's been a great year. I'd like to think we've done a little bit to improve Australian public policy. As Jane-Frances said, the key things that really make a difference always take a long time. Very particularly amongst that group I'd like to thank Peter Breadon, one of our senior associates, who did all of the work in terms of putting this list together. He was the one who had to read the 40 book list and make all of the really tough decisions. Finally can I thank you, our audience tonight. It's been great having you here. I hope you've enjoyed it and I that you can find one or two things to take away and read for your holidays. Thank you.

End of recording

AUDIO: This has been a podcast from Grattan Institute. Want to hear more? Check out our [website](#).