

December 2015

2015 Summer Reading List for the Prime Minister



A summer reading list for the Prime Minister

Summer is a great time to relax with friends and family, to take a holiday, to reflect on the year past – and to read.

During the year it can be hard to find time for reading. Our ministers and MPs have less free time than the rest of us. So every year Grattan Institute releases a summer reading list for the Prime Minister.

The list contains books and articles that we believe the Prime Minister – or indeed any Australian – will find stimulating over the break. They're all good reads that say something interesting about Australia, the world and the future.

While we don't stand by every word in these books, we believe they provide excellent food for thought. We enjoyed reading them, and we hope our leaders do too. We hope they have a refreshing break and return inspired to lead the country in 2016.

- **Warrior: A legendary leader's dramatic life and violent death on the colonial frontier**, Libby Connors (Allen & Unwin, 2015)
- **Coming of Age: Growing up Muslim in Australia**, Amra Pajalic and Demet Divaroren (eds) (Allen & Unwin, 2015)
- **Creating Cities**, Marcus Westbury (Niche Press, 2015)
- **Other People's Money: Masters of the universe or servants of the people?** John Kay (Profile Books, 2015)
- **Rising Inequality: A benign outgrowth of markets or a symptom of cancerous political favours?** Paul Frijters and Gigi Foster (The Australian Economic Review, 2015)
- **Love Poems and Death Threats**, Samuel Wagan Watson (University of Queensland Press, 2014)

Warrior: A legendary leader's dramatic life and violent death on the colonial frontier

Libby Connors

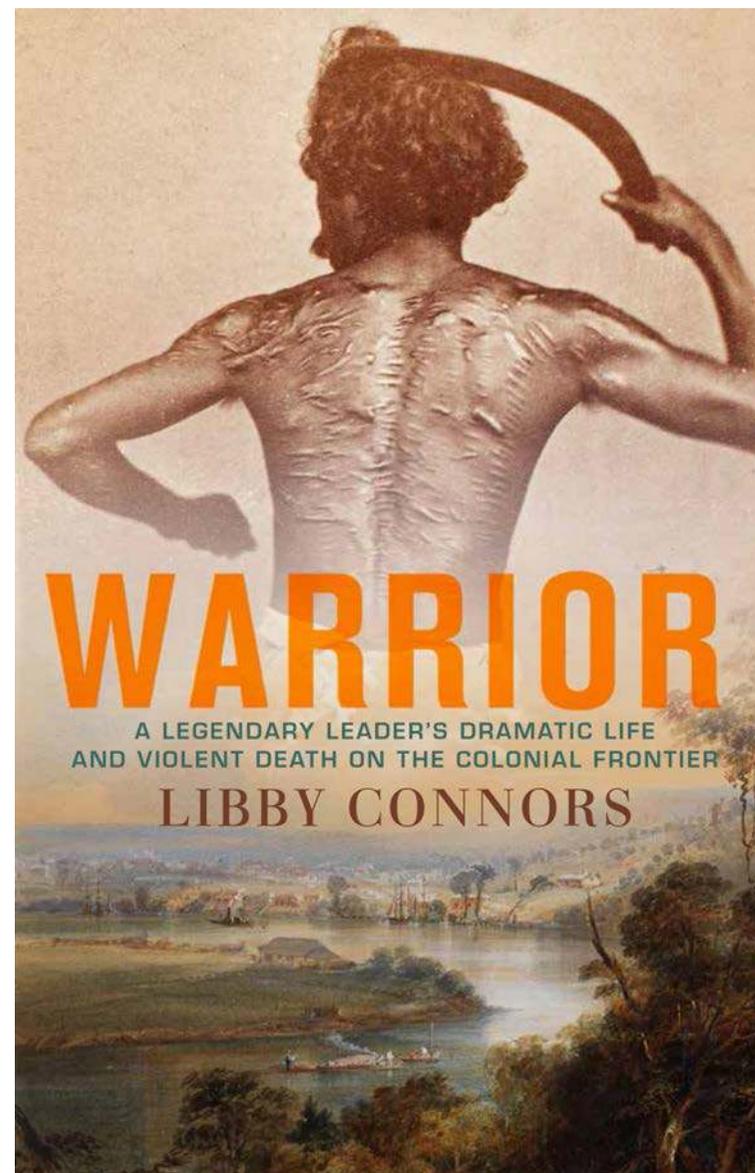
The squatters, station hands, missionaries, convicts and police officers who settled in and around Brisbane in the first half of the 19th century brought British law to an empty land that had no laws. Or so the official story went.

In truth, a complex society existed before Europeans arrived, and it continued to exist alongside the new colony. The actions of the indigenous inhabitants were dictated by their laws, culture, politics and economy. The Europeans living in the area were affected in many ways, but they little understood the aborigines' motives.

Warrior illuminates the conflict between British and indigenous laws and retributions through a thoroughly researched recreation of the story of Dundalli, a warrior and lawman whose physical strength, charisma and negotiating skills made him an inspirational leader. Respected by indigenous people, he was feared and demonised by the white settlers (and especially the *Moreton Bay Courier*).

Connors shows how what is now called Brisbane had an early history that would now be called war. And the fog of war was particularly thick when neither side understood the basic assumptions or the internal politics of the other. The incomprehension grew as the conflict travelled from the frontier towards the courts and institutions at the centre of each culture where norms of criminal law were used to judge the actions of soldiers.

Australia's journey towards reconciliation needs a better understanding of the indigenous nations and the colonial wars that were fought on the frontiers. Telling stories such as Dundalli's will help all Australians develop the mutual understanding and respect that were missing from the early nineteenth century, and are needed for national unity today.



Coming of Age: Growing up Muslim in Australia

Amra Pajalic and Demet Divaroren (editors)

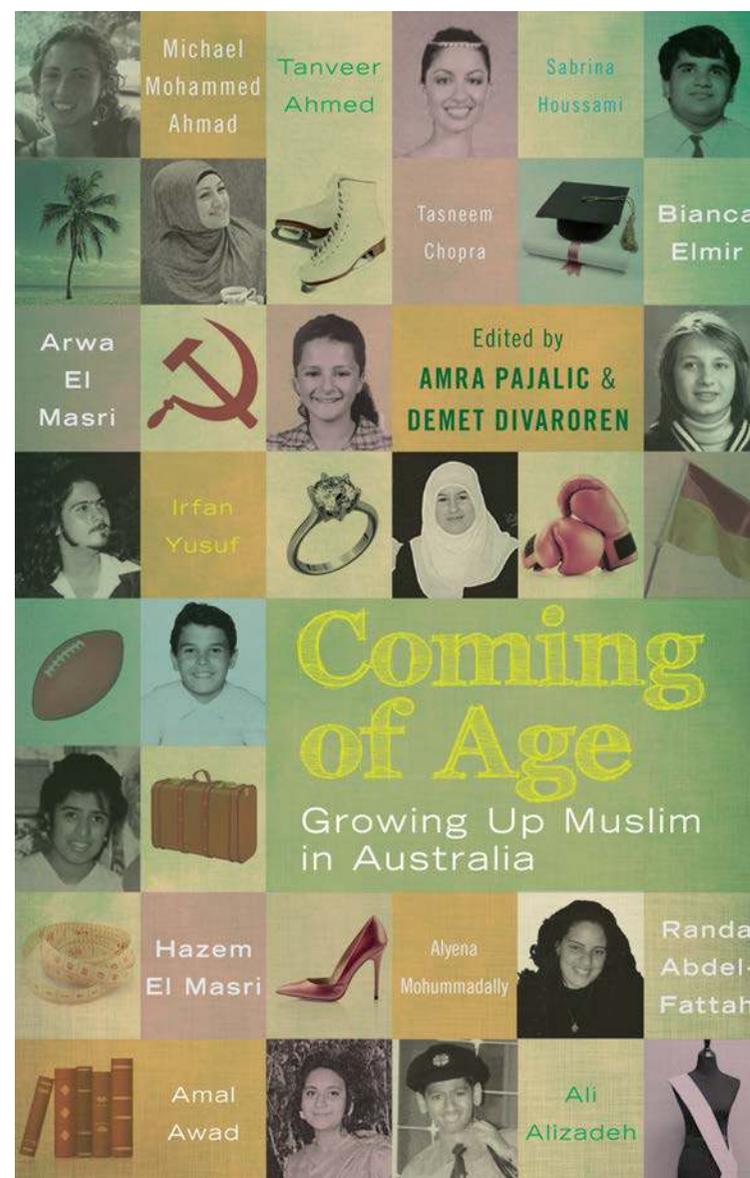
Demet Divaroren from Turkey and Amra Pajalic of Bosnian background have chosen twelve diverse people to share their stories in their own voice for *Coming of Age*, a unique glimpse into the many different experiences of growing up Muslim in Australia.

Amal navigates the many rules of dating as a Muslim teenager. Tanveer contends with living with his ageing father in a foreign land. Bianca enters the kick-boxing ring and becomes the role model she never had.

The true stories in *Coming of Age*, suitable for both children and adults, explore the everyday struggles and triumphs of young people living with dual Muslim/Australian identities. The storytellers explore the issues that every Australian adolescent faces, such as sexuality, family dynamics, identity, friendship, body image, expectations and courage. But it doesn't shy away from the particular challenges for a teenager rejecting – or keeping – or 'mish-mashing' –their faith or culture.

This book is particularly relevant as we try to come to terms with the acts of radicalised Muslims in 2015 from Beirut, to Paris and Nigeria. *Coming of Age* reminds us that people who identify as Muslim are much more diverse than the stereotypes we see on television.

These ordinary yet moving stories allow young voices to cut through. Understanding their stories and viewpoints shows there is much to look forward to as Australia too comes of age.



Creating Cities

Marcus Westbury

In 2007, Newcastle was down on its luck. The 1989 earthquake had damaged many of its buildings. Globalisation then decimated the manufacturing base. It still had the advantages of proximity to Sydney, a reservoir of trade skills, and some beautiful architecture and coastline. But it also had streets of shops with “For Let” signs posted a decade earlier.

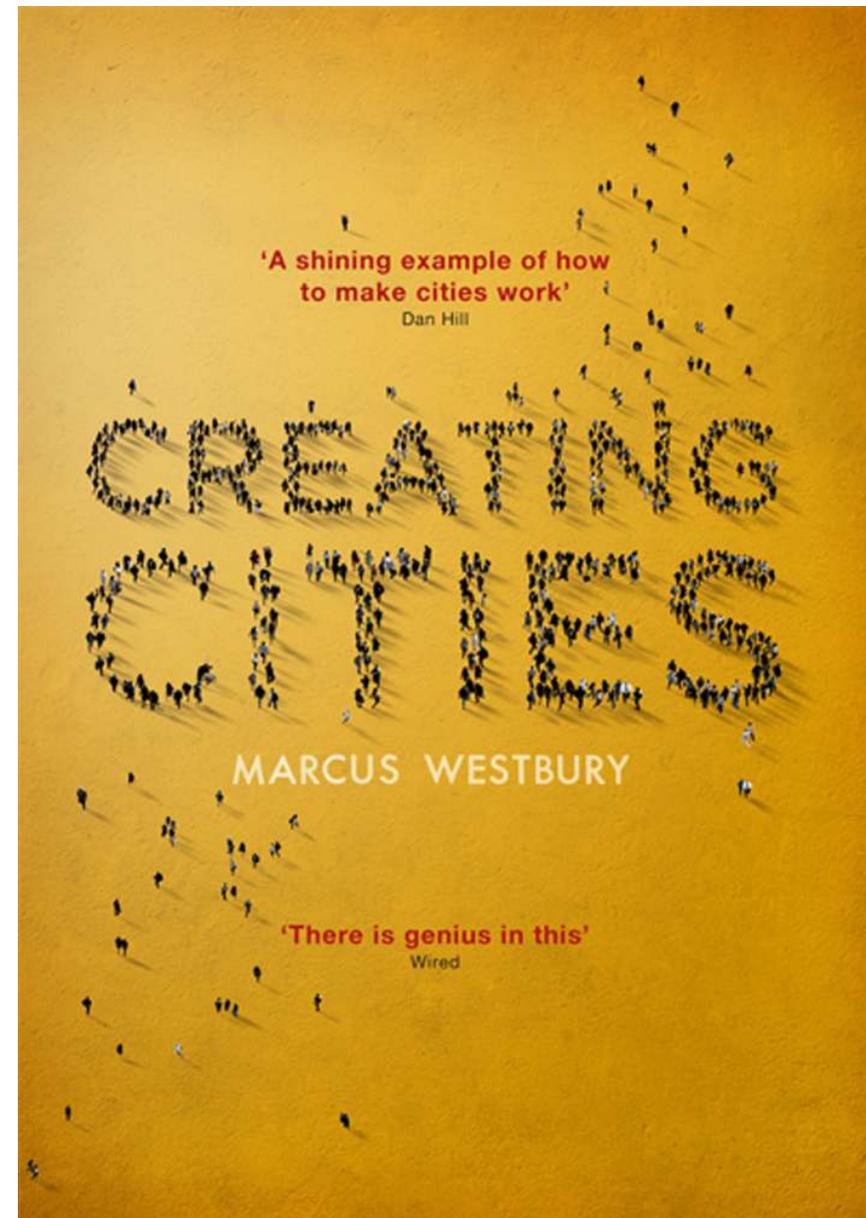
Most governments seeking to develop regions respond with grand plans for landmark civic projects. But what if empty buildings are not a blight but a boon? What if empty space is not barren but bountiful? For artists and artisans an empty space is a blank canvas of opportunity.

This was the approach of the “Renew Newcastle” project. Founder, Marcus Westbury, tells its story in *Creating Cities*. The project found artists and artisans happy to take short-term insecure occupancies. It found landlords prepared to give them access. And it found ways to work around the legal, financial and legislative systems that blocked access to vacant buildings.

Lots of seed was scattered. Plenty of projects withered. But many thrived, becoming permanent businesses, lodging in niches no-one realised were there. It showed there was much more local-based initiative that anyone imagined.

Since it began, Renew Newcastle has supported more than a hundred and seventy projects, catalysing a creative revolution and contributing to Newcastle’s listing in Lonely Planet’s top 10 cities for 2011.

Every place is different. But *Creating Cities* shows how the most important requirement can be ‘a conscious decision to make small things easy’. Sometimes the best way to renew a grand city is to start small.



Other People's Money: Masters of the universe or servants of the people?

John Kay

What is the finance industry for? And why is it so profitable?

Traditionally, financiers looked after people's savings, loaned money, provided a payment system and helped people manage economic risks. Their services were relationship-based, for the long haul, grounded in the real economy.

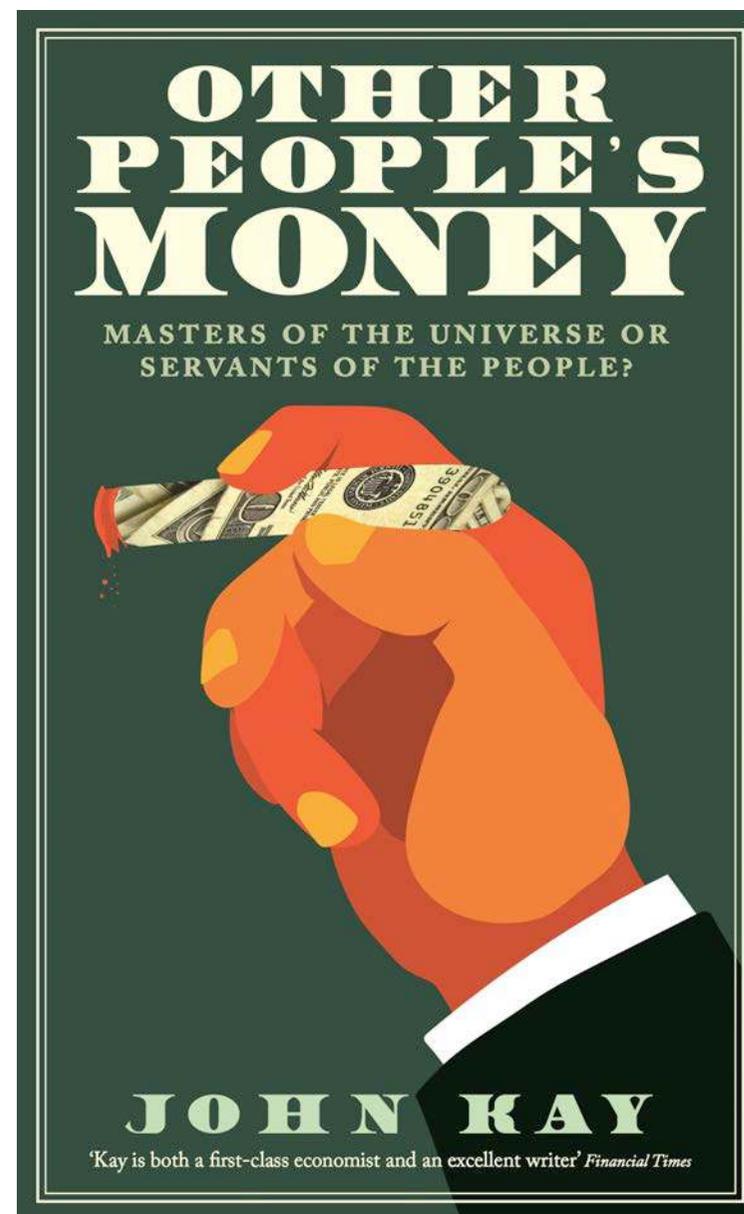
But today less than ten per cent of bank lending is to firms and individuals producing goods and services. Banks mostly loan money to other banks. Common sense suggests that when a closed circle of people continuously exchange bits of paper with each other, the total value of these bits of paper should not change much, if at all.

But in this circle of intangible exchange, who cares if the loans go bad? As they say in the trading room, 'I'll be gone, you'll be gone.'

What can we do? Australian regulators have put their faith in transparency. But Kay, one of Britain's leading economists, asks what this can achieve when financial conglomerates are too big to fail, the rewards for risk-taking are eye-wateringly high, and financiers aren't held personally liable if they gamble away a country's savings.

What we really need is a proper agency relationship that requires financiers to act in our interests. This can't happen while financial conglomerates intertwine retail and investment banking, and there are numerous opportunities for tax, fiscal and regulatory arbitrage.

Other People's Money speaks to us as bank account holders, shareholders, and taxpayers. It is a passionate, lucid explanation of what the finance industry is, what it does, and how post-GFC tweaks have not solved the problems laid bare in the Global Financial Crisis.



Rising Inequality: A benign outgrowth of markets or a symptom of cancerous political favours?

Paul Frijters and Gigi Foster

Have the richest Australians made their fortunes by expanding innovation and productivity, or by obtaining political favours?

Paul Frijters and Gigi Foster are interested in the source of widening inequality in Australia. The emerging economic theory is that automation and globalisation are magnifying the returns to higher order skills, widening the gap between rich and poor.

But is this true in Australia? In 'Rising Inequality: A Benign Outgrowth of Markets or a Symptom of Cancerous Political Favours?' the authors analyse where the richest 200 Australians made their money. Did they work in industries where innovations increase productivity?

They find that only five per cent of the super-rich could be classified as top innovators. But over half of the top 200 in Australia have made their money as property moguls, mining magnates and investment managers. These industries can involve sophisticated skills, but often large profits depend more on favourable government decisions. Australia's super-rich are disproportionately involved in activities where local political decisions determine the winners: who gets to build which property where; who gets access to favourable mining concessions; and who controls the money from a government mandated superannuation system that is boosted by tax concessions.

The authors propose some creative solutions to help tackle this problem. More direct democracy might help. More speculatively, what about open markets for political favours? On any view, we need to pay more attention to political power and group behaviour. And this implies governments should focus more on resisting political manipulation and encouraging productive behaviour rather than just looking to markets to increase our prosperity.

The Australian Economic Review
The Australian Economic Review, vol. 48, no. 1, pp. 67-75

MELBOURNE INSTITUTE
OF APPLIED ECONOMIC AND SOCIAL RESEARCH

Policy Forum: On the Economics and Politics of Inequality

Rising Inequality: A Benign Outgrowth of Markets or a Symptom of Cancerous Political Favours?

Paul Frijters and Gigi Foster*

Abstract

Is the rise in inequality in Australia due to global changes in the distribution of marginal productivity or changes in the allocation of political favours? This article lays out the arguments for both views. Looking at the tax and subsidy changes that favour the rich, and considering that almost all the 200 richest Australians look like the beneficiaries of political favours rather than innovators or superstars, the article concludes that inequality is probably increasing due to changes in the political realm. The discussion outlines a research agenda and possible counter-moves, such as more direct democracy and having open markets for political favours.

1. Introduction

Rising inequality has become an issue of great political interest in recent years, as exemplified by the 'We are the 99%' movement¹ and the global response to Piketty's (2013) book, *Capital in the Twenty-First Century*. Leigh's (2013) *Batters and Billionaires: The Story of Inequality in Australia* highlights the growing divide in Australia between rich and poor ever since the 1970s.²

In this article, we take these trends as given. We also assume that inequality as a social outcome is undesirable, all else being equal: mainstream economic theory invariably presumes that the utility of consumption diminishes with income, implying that the millionaire receives less utility from an extra dollar than the pauper and hence that a more equal distribution of dollars delivers more overall utility. Happiness research bears this out empirically: given the same average income, OECD countries with higher inequality, and hence also higher levels of poverty, are less happy than more equal and homogenous regions (Ferrer-i-Carbonell and Ramos 2012) and populations display preferences for redistribution (Alesina and Giuliano 2011). As these authors and others have documented, higher inequality is also associated with higher levels of crime, less stable political institutions and mental anxiety amongst the less well-off.

We consider in this article whether inequality has grown as a by-product of market forces that deliver other social benefits or as a consequence of socially damaging forces. We begin by discussing two likely candidate explanations for increased inequality and then suggest a research agenda to support a more detailed analysis of the problem and realistic reform options.

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Love Poems and Death Threats

Samuel Wagan Watson

Anyone who writes a death threat utilises the same passion that can compose a love poem....in the same breath we all have the capacity to smite while we are smitten...

Paul Keating maintains that music is the highest art form, but what other than poetry can take us from the highs of love to the white burn of anger in only a few moments? In his sixth collection of poems, Samuel Wagan Watson, an Australian poet of Birr-Gubba, Mununjali, Gemanic and Gaelic heritage, lays bare his full emotional range.

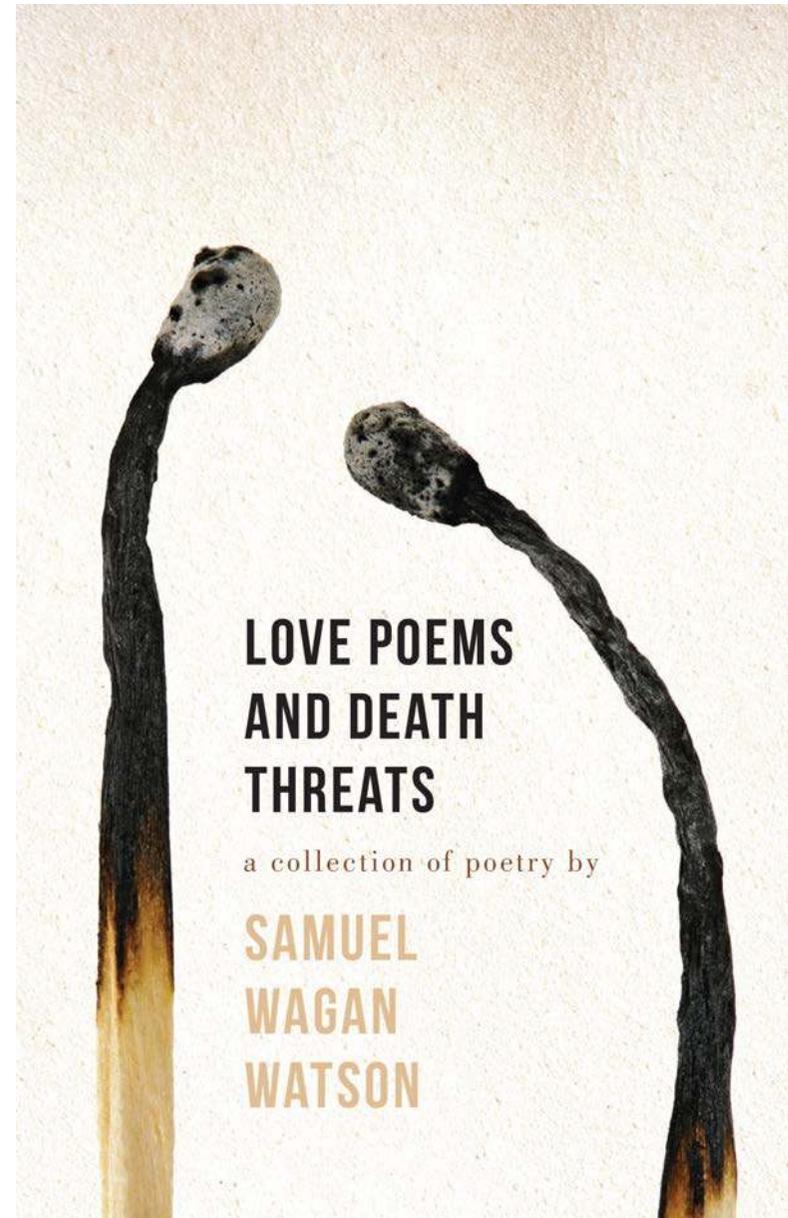
From the brutality of aboriginal missions, to the degradation wrought by developers – "construction-crane necromancers" – in his home state of Queensland, many of the poems are edgy and intense. But Wagan Watson's suburban Queensland humour is never far off. His joyful ode to hard rubbish collection is a laugh out loud highlight.

I was up early on Sunday morning, but I felt cleansed; cleaner than if I'd attended mass. Tomorrow is 'kerbside-pickup'!

Others poems are more darkly satirical. End of Days sharply dissects the recent mining and consumer debt driven boom, concluding Australians sacrificed the Dreamtime in the quest for the Australian Dream.

Wagan Watson's prose style poems are rhythmic and fast-paced. Haikus are scattered throughout the collection – a form that follows a commission from the Japanese Aeronautical Exploration Agency to write for astronauts on the International Space Station.

Love Poems and Death Threats is a compelling collection that reminds us that we shouldn't forget the power of poetry, particularly poetry that speaks in a uniquely Australian voice.



Summer reading for 'wonks'

A few books and articles that the Prime Minister's advisers might be reading...

- Michael Barber, *How to Run a Government: So that citizens benefit and taxpayers don't go crazy*, Penguin UK, 2015.
- Sarah Burnside, *Possessed by Mining: Booms, bargains and beastly governments*, Griffith Review, 2015.
<https://griffithreview.com/articles/possessed-mining/>
- Peter Davidson, *A brief history of tax*, blog series, 2015.
<https://pagdavidson.wordpress.com/2015/01/08/a-brief-history-of-tax-part-1-income-tax-the-great-leveller/>
- Richard Arum and Josipa Roksa, *Aspiring Adults Adrift: Tentative transitions of college graduates*, The University of Chicago Press, 2014.
- Matthew Rognlie, *Deciphering the fall and rise in the net capital share*, Brookings Papers on Economic Activity, 2015.
http://www.brookings.edu/~media/projects/bpea/spring-2015/2015a_roggnlie.pdf [plus The Economist's Free Exchange blog on this: <http://www.economist.com/blogs/freeexchange/2015/03/wealth-inequality>].
- Stuart Macintyre, *Australia's Boldest Experiment: War and reconstruction in the 1940s*, NewSouth Books, 2015.

Independent, rigorous, practical

Grattan Institute is an independent think tank dedicated to developing high quality public policy for Australia's future. It was formed in 2008 in response to a widespread view in government and business that Australia needed a non-partisan think tank providing independent, rigorous and practical solutions to some of the country's most pressing problems.

These three words are vital to Grattan's mission. We are **independent**, taking the perspective of the Australian public interest rather than any interest group. We avoid commissioned work to ensure this independence.

We are **rigorous** in obtaining the best available evidence from our own data analysis and from published work. And we are **practical** in articulating what governments should do to improve the lives of all Australians.

Grattan runs seven policy programs: Australian Perspectives, Transport and Cities, Energy, Health, Higher Education, Productivity Growth and School Education. We chose them because we believe they are vital to shaping Australia's direction as a liberal democracy in a global economy.

We also believe they are areas where fact-based analysis and lively debate can change the minds of policy makers and the public, and where key issues are not being resolved. All our reports and our public events are free and can be viewed online.

The screenshot shows the Grattan Institute website homepage. At the top, there are social media links for Facebook, Twitter, and a newsletter subscription button, along with a 'PLEASE DONATE' link and a search bar. The main header features the Grattan Institute logo and the tagline 'Independent, rigorous and practical solutions to Australia's most pressing problems.' Below the header, there are navigation tabs for 'Home', 'Publications', 'Events', and 'About Us'. The main content area is divided into three columns. The left column features a large image of a power line tower with a worker in a red hard hat and jacket, and a report titled 'Fair pricing for Western Australia's electricity' by Tony Wood and David Blowers. The middle column has a video player titled 'GRATTAN TV' with a date of 13 October 2015, and a news article titled 'Climate Change: What happens after the Paris Conference?' dated 13 October 2015. The right column has a 'Programs' list including Productivity Growth, Budget Policy, Health, Energy, School Education, Higher Education, Transport and Cities, and Australian Perspectives. Below the programs list, there are two more news items: 'Prime Minister Malcolm Turnbull promised stronger economic leadership. What should his priorities be?' dated 16 September 2015, and 'Targeting the tax breaks for superannuation' dated 10 December 2015.

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