Resource Rents, Taxation, and Political Economy in Australia:
States, Public Policy, and the New Squatters in Historical Perspective

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The Australian Resource Taxation Issue

The claim that the Australian mining sector is too heavily and unfairly taxed is a mantra that mining executives seem unable to break free from despite the facts. The latest such claim has come from the BHP Billiton chairman Jacques Nasser who complained on 16 May 2012 about the Australian industrial relations system and tax system and threatened to take the company's investment elsewhere (Nasser 2012). In fact, the mining sector in Australia has been lightly taxed, as both the Henry Review and the 2012 federal budget papers revealed (see Figues 1 and 2) Attempts by global corporations of all kinds to influence public policy on taxation and wages by threatening to remove their investment is a fundamental feature of globalization, one faced by the poorest developing countries as much as the most advanced countries. In Australia's case, the ongoing acrimonious debate about resource taxation and the role of rich mining magnates in influencing public policy has to be seen within a background of centuries of conflict between the resources frontier and the state.

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http://apo.org.au/research/resource-rents-taxation-and-political-economy-australia

Fig 1 Australian Resource Tax and Royalties (Source: Henry (2010), p 47.

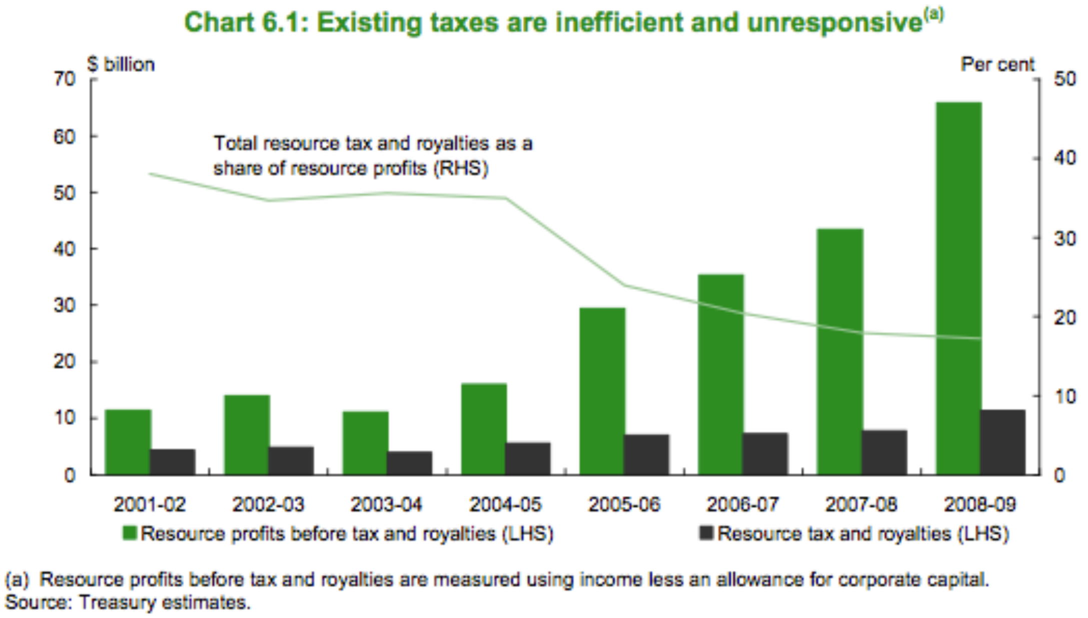
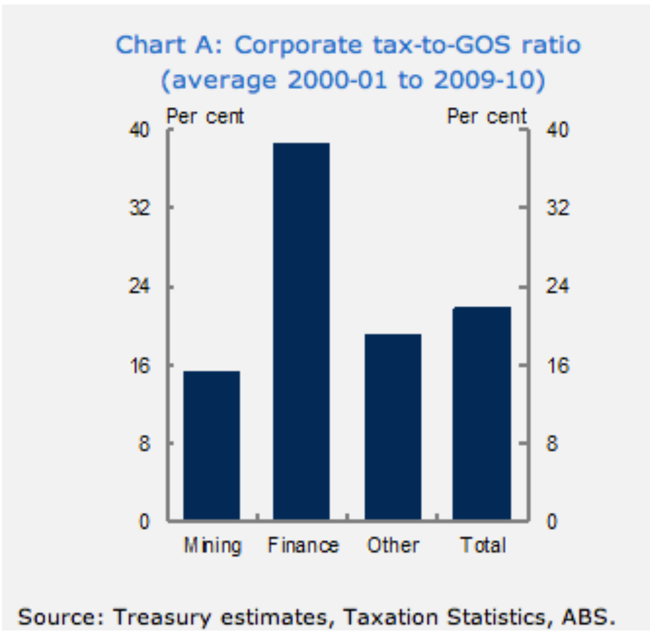


Fig 2 Australian Corporate Taxes as Percentage of Gross Operating Surplus
Source: Australian Government Budget 2012-2013: Budget Paper No 1 www.budget.gov.au/2012-13/content/bp1/html/bp1_bst5-02.htm



The major issues for Australian public policy about governance of the natural resource boom, causing such heated political and policy debates, revolve around community endowments, resource rents, and state fiscal capacity. In order to understand the debates and policy outcomes we need to see them in a historical context of Australia as a settler society that was always dependent on commodities in its export profile. Unlike some other commodity dependent countries, however, both historically and today, Australia transformed its dependency into a wealthy, middle class, democratic, urban society from the early 20th Century, now with a very high HDI score (second only to Norway). How did that happen – was it engineered through policy or was it a free-market outcome? Although Australia has never been a resource-cursed society to any significant degree there are signs of such tensions today. Much is at stake in the debate about redistribution of resource rents. The 'Australian model' is being watched closely in other resource-dependent countries[1] and all is not necessarily a 'balanced' and 'progressive' model in the 'Lucky Country'.

The Public/Private Conflict and the Rise of States

The deepest background concerns the question of who owns natural resources such as wind, water, waves, soil, forests, fish, wild animals, minerals, and fossil fuels? That there is an issue about this tends to be forgotten today in the heat of hyper resource expansion in the 'new gold rush' territories. But it does still lie at the heart of the issue of resource rents and community interests. The endowment argument and its significance is, therefore, worth repeating briefly.

All its natural attributes can be considered to be the endowment of a territory and while all (except for the bodies of the human inhabitants) are in principle available for economic use, the concept of 'endowment' implies inheritance and intergenerational preservation and transmission, at least in some form. The history of humanity is in large part the history of how our species came to control and exploit these resources as the necessary means of producing our collective social and biological existence through time and improving our quality of material life. This historical process was necessarily a collective social one and over time produced and reproduced not only human material existence but also social structures and especially class and political power structures. The production of the politics and governance of human life was the most fundamental outcome of this historical process. Very long-run material economic history has inextricably been embedded within societal history as an instituted process of power over and organization of resource use and also human organisation. Material production became increasingly organized and technological and as that happened the conflict over ownership and control of resources and people was central to the history of humanity.

The heart of this conflict concerns the private/public distinction within all social formations. Private resource acquisition and wealth accumulation as a consequence

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1 As shown, for example, in a recent seminar on *Governance of Natural Resource Rents and Inclusive Development* at Economic Commission for Latin America and the Caribbean, Santiago, 24-25 April 2012. A longer version of the present paper was presented there.

of resource monopolization has often been viewed as inimical to social welfare in a general sense, as well as being a denial of the collective endowment and inheritance principle. The distinction between a people and the natural attributes of that territory came into being only with the advent of large-scale agricultural development. Class distinctions and class power, violently imposed, arose from the class monopolization of natural components of territories, especially soil and water. But the residual view and folk memory, lingering from an earlier 'natural' social existence, that the endowments belong rightly to the populace as a whole in a defined territory, has been a powerful motivator of collective social movements into the contemporary era. The concepts of natural right, collective property, and conservation have remained powerful even within ultramodern capitalist societies.

These concepts underpin the idea that those wishing to exploit natural resources for profit are able to obtain economic rents from their monopolies of resources and so should at least pay rent taxes to the collectivity (now represented by the state) and not be permitted to own the resources outright in perpetuity. Use should imply a fair rent or tax is paid and any negative externalities should be compensated to the public interest. Of course one response to the issue of private resource appropriation has always been to try politically to prevent or stringently regulate private appropriation wherever possible. This has proven very difficult or impossible in most parts of the world throughout history for state power traditionally has been directly controlled by the class that seeks to monopolize resources – the rentier class. Indeed, state structures emerged partly because landed elites wished to protect their monopolization of land by institutionalizing the centralization of force against other classes and against each other. The emergence of states and the rule of law can be understood as a collective solution to the problem of internecine warfare both within landed elites and against outside forces. Protection of monopoly rents became the raison d'etre of early modern states.

In the mercantile, industrial, and post-industrial eras the temptation by certain states with wealthy strategic endowments to depend on income from direct ownership and exploitation of resources (especially land, precious metals, and slaves originally) has been widespread since the 18th Century and has recently seen the rise of new rentier states in many places. The new rentier states, especially certain oil states, have given rise to a new kind of rentier class – a wealthy bureaucratic elite of managers and/or the recipients of state-distributed income from the resources wealth – and a corresponding resource curse phenomenon. The public interest has been neglected or subverted. This new rentier class has close interconnections with the pre-existing rentier class of private appropriators and together they now dominate the politics and public policy of many states. The role of state power and public policy in this context of the new commodities boom with its class alignments is therefore the crucial question for the political economy of our era.

In the modernization process, which not all societies have experienced, the issue of how to lease out and/or tax resource rents became central as states became democratized and then developed an independent, more publically-oriented, focus, no longer the naked instruments of class rule. A series of revolutions brought about this transformation. The rise of the broader public interest transformed the role of states into representatives or agents of the populace and redistributors of wealth and thus requiring increasing streams of revenue. This is now an even more powerful factor in the second great commodities boom of the present decade.

Two Golden Ages of Commodities

The second half of the 19th Century was the first golden age of commodity trade as the North Atlantic region industrially developed and sought its raw materials from the rest of the world, especially from the temperate settler societies. That first golden age was predicated on the European seizure of vast lands in the temperate zone of the world and the destruction of indigenous peoples and societies. Within those zones the struggle between and/or confluence of frontier resource plunderers and squatters and colonial or newly independent states was a central dynamic that played out differently in each region. Great wealth flowed to both ruling elites and states because of the North Atlantic demand for certain imported raw materials, notably gold, silver, lead, wool, cotton, wheat, and meat. But the world crisis of 1914-45 destroyed that dynamic global system and the new regime that emerged had the more restrictive Cold War and Bretton Woods regulatory system as its twin pillars. It was not until the efflorescence of capitalism from the early 1990s, as Communism collapsed and the Chinese and Indian rise began, that a new golden age of commodities began. This new golden age seems destined to be even greater than the first.

Rent, State Capacity, and Human Development

Golden ages of commodities are also paradises of economic rent. The monopolization and exploitation of economic rent is as old as the better-known first and second oldest professions. Rent-seeking behaviour by individuals and social classes should be considered a common attribute of all societies, at least since the invention of agriculture and the rise of the first civilizations. Monopolization and exploitation of scarce and geographically natural resources of land and water formed the basis for the rise to military and social power and wealth of elites in the far distant past. But the seeking of what is in effect economic rent from the use of some social position, or workplace role, or physical resource, is a widespread (perhaps universal) feature of modern societies still today. Modern democratic state structures and their constitutions and the bureaucratic actors who administer them in the advanced Western countries, however, are mostly opposed to rent-seeking nowadays and strive to eliminate it. Indeed, one could argue that the modernization of states has been a process of seeking to eliminate or at least control rent-seeking by individuals and groups and to try to expropriate to state (ie public) purposes the profits of rent. In the last 30 years or so this state-centred process has greatly increased in advanced western countries as it has been realized that measures to increase efficiency and labour productivity in services are the only drivers of growth left in mature post-industrial economies and that rent seeking is therefore a brake on efficiency. This is one of the distinguishing features of the ultramodernist state. Of course many states in the less developed world today are largely beholden to or controlled by rent-seeking elites and are indeed rentier states. Most settler societies such as Australia began as rent-seeking enterprises. Indeed, the foundation of settler societies in the temperate zones

– the Neo Europes – from the 17th Century greatly expanded the possibilities for resource rents and rentier regimes.

How Did Australia Avoid Becoming a Rentier State in the 19th Century?

The European colonization of Australia from 1788 also opened a new rentier frontier and for a time seemed destined to move inexorably in that direction. But New South Wales was almost unique in being a state foundation to provide a prison service for the British Empire. As such, all land was seized by the crown. Right from the original European settlement the land rights of the indigenous occupants were ignored and/or violently rejected. It was not envisaged by the British government at the foundation that a private sector would rapidly emerge but the availability of vast resources was too tempting for the original administrative leaders, who were military officers, and for the free settlers, who soon began arriving, and for the emancipated prisoners. The original contestation over natural resources was, then, between the crown, which sought to keep control, and private individuals who desired the freedom to seize, occupy, and exploit those resources without restriction. Capital accumulation grew rapidly and sought new opportunities in combination with the semi-servile labour supplied by the state through the convict system.

By about 1815 a vast new resource of grasslands opened in the South Eastern interior of the continent at the same time as Britain's industrialization of the woolen textile industry was taking off, requiring large new raw material supplies. Selective sheep breeding in Australia supplied more suitable material and at a landed cost in London lower than European supplies, given that frontier land was free to grantees and squatters. The state's attempts to confine settlement, control the land grabbing, extract rent payments, and protect the indigenous people, were feeble in the face of the open frontier and, indeed, by 1840 a vast area of land had been seized by squatters without legal protection. Thus the political and social contest between land squatters and the state from the 1820s revolved around confinement, tenure, autonomy, and rent extraction.

By the early 1830s the issue of Australia's future trajectory of political economy was highly contingent. Issues of colonial authority, imperial regulation, frontier atavism, demands for independence, liberalism, and access to commercial capital, were all in contestation. The British Colonial Office's socio-economic policy of Wakefieldian 'scientific colonization', with its nexus of land sales, closer settlement, and assisted immigration, was strongly opposed by the squatters, who had an atavistic, independent, frontier mentality. The contestation came to a head in the early 1840s when the wool boom collapsed, the squatters became heavily indebted to London merchants and banks, and the urban liberal reformers, wishing to create a new kind of society, succeeded in ending the importation of convict labourers, on whom the pastoralists depended for shepherding work. The balance of power shifted decisively away from the landed interest and over subsequent decades the local state was able gradually to regularize the land-holding and taxation regime through leasehold systems. The British imperial connection was significant in tipping the balance away from frontier atavism, unlike southern South America, which went the independence, anti-liberal, atavistic, estanciero route, to their continuing cost. Here was the 'benefit' of empire in Australia as opposed to independence at that crucial juncture.

The gold rushes of the 1850s also contributed to transforming the resource ownership and taxation issue for this was a small-man's, democratic, frontier from the beginning and the local state was able to control access to some extent via the selling of rights and controlling the size of mining leases, having asserted its ownership of minerals. Later, in the 1860s, when company mining grew in scale, the state was in a position to exert a regime of resource taxation. The strength of the state was the crucial determinant. In the Australian case the state became very stable and legitimized by the 1850s due to liberal constitutionalism, influenced by Philosophic Radicals, and fully established universal and secret malehood suffrage. But the state didn't fully succeed in breaking the power of the landed oligarchs until the mid-20th Century when the hundred year leases began to expire.

Taxation of profits flowing from natural resource rents has always been a highly politicized issue in Australia, as in many other countries. The struggle from the 1830s between the colonial authorities and land squatters took a century to fully resolve, eventuating in extensive land reform. The chief forms of government revenue in the early 19th Century, revenue that was required chiefly for assisted immigration, policing and justice, public works, and administration, were land sales and excise taxes. By the 1850s and 60s land rents were imposed on leasehold land via a series of reforms and the sale of mining rights was introduced but at a low level after the anti-tax revolt on the Victorian goldfields (the Eureka Stockade) of 1854. Indeed, the taxation of mining rents and profits has been a constant thread through Australia's history ever since. A mining royalties regime was imposed by the colonies and later the states which has continued to this day. Royalties, of course, are not taxes but transfers of economic rent to the state for the right to mine.

A New Regime of Industrial and Social Democratic Capitalism from the Early 20th Century

Thus by the 1860s-70s, Australian society had been transformed by the gold rushes, large-scale immigration, urbanization, and highly efficient and technologically transforming wool and mining industries that generated much more employment in urban (commercial city-based) services than on the land. Then another major series of mineral discoveries in the 1882-1893 decade at Mount Morgan (gold), Broken Hill (silver, lead and zinc), and Kalgoorlie (gold) again transformed the economy through wealth and capital accumulation, adding to the already highest GDP per capita in the world. Such major mines, especially Broken Hill, had powerful and lasting backward, forward, and final demand linkages into the whole economy. Wages became the highest in the world and provided a rich internal market.

The mining industry, as elsewhere in the world, became a site of bitter industrial disputes and union formation. Unions had long been legal in Australia, which was crucial for subsequent developments. The severe depression of the early 1890s transformed the political and social environment. The emergence of strong Labor Parties out of the prior unionization of significant parts of the economy, the de jure and de factor universal suffrage, and the formation of Labor Governments at the state and then Federal level by 1904, led the world in the development of social democratic policies. The combination of labor and social liberals in the federal parliament produced a new 'historic compromise' of the sort only dreamed of by labour, working class, and nascent social democratic movements elsewhere. This 'Australian settlement' is best characterized as a 'labourist-protectionist developmental state'.

Labourist-protectionism became hegemonic after the First World War and despite the Great Depression continued to be supported by a national consensus, boosted by World War II and the post-war completion of import-replacement industrialization. The 'Australian model' of development had the central interlinked features of, high wages, high internal consumption, highly efficient commodity exports, transfers from the primary to secondary and tertiary sectors via state policy, education investment, and horizontal equalization. It was not until the crisis decade of 1974-84 when the old regime was believed to have run its course that a neo-liberal policy regime was implemented, ironically by a Labor Government. The following decades saw a gradual decline in the economic significance of commodity exports and a rise in manufacturing exports as the currency declined in value to a historic low in the late 1990s (see Fig 4).

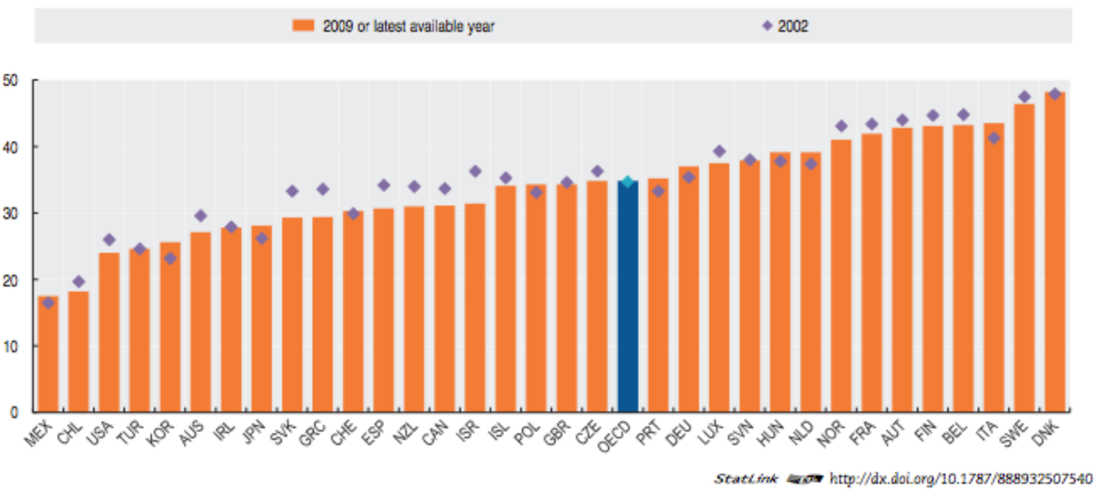
It can be argued that the Australian state was 'captured' in the early 20th Century by manufacturing and labourist rent seekers, who came to rely on state protection in order to maintain the status quo of import-replacement manufacturing, much of which never became efficient, and an over-reliance on efficient agricultural and mineral export sectors. On the other hand, a broader view would argue that all developmental processes follow a protectionist course to a greater or lesser extent and all have a pattern of leading (efficient) and laggard (inefficient) sectors. The main issue is whether a system of political economy is able to deliver an affluent middle class outcome that is socially egalitarian, stable, and peaceful. Australia's Labourist-Protectionist regime clearly achieved that. But it was in trouble by the 1970s and was extensively reformed in the 1980s.

The Resources Boom and State Capacity in 21st Century: A Changing Political Economy

At the beginning of the 21st Century the commodities export sector began to grow rapidly again as the next boom took hold, accelerating as the decade went on. The question of the economic and political power of the newly-emerging mineral-rentier interest moved to centre stage by about 2005. The capacity to tax resource rents in Australia has never been a straightforward matter and in the new context is being tested anew. The Australia state capacity in the fiscal and autonomous policy senses has never been strong, compared especially with Northern European countries, and has, in fact, deteriorated in recent decades due to the cartelization of politics (cf Ecclestone and Marsh 2011), which has led to policy capture and timidity, with the consequence of a personalization of politics. That is, political debates have ceased to be mainly about ideology or policy and more about personality, mirroring to a large degree the American political experience. This weakness of federal policy formation stems in part from certain peculiarities of the Australia Federal Constitution's provisions for revenue and fiscal matters and from the nature of federations in general. The division of sovereignty between federal and state sectors has acted as a brake on central government authority and the power of the states has often been exercised in populist and irresponsible ways. Royalties of all kinds have long been paid to state governments by mining companies in return for the right to mine and this has led to a path dependency of coherence between certain state governments and mining companies and a competitive process of exploration encouragement that has undermined the development of a national policy regime.

Furthermore, an important element in the political economy context of the resources boom and associated revenue issue is the anti-state, anti-tax populism that has increased in influence in recent decades. This has been a contributing factor in the cartelization of politics, the growing nastiness of debate, and the consequent policy timidity. The fiscal capacity of the Australian state has been undermined just when the fiscal capacity needs enhancement in order to cope with the productivity challenges (especially labour productivity) of a post-industrial economy. The potential for productivity gains in an economy with a residual manufacturing sector of only 10% of GDP, a booming mining sector but with miniscule employment, and an 75% services sector, seem to depend strongly on improved infrastructure (especially internet, education, air and land transport), which in turn relies heavily on public investment in a geographically dispersed and under-populated continent. The public of Australia, as with all such advanced, post-industrial societies, has experienced and expects to continue to receive well-provided and high quality health, education, and urban services, requiring extensive public investment. The private sector lacks the capacity or is prohibited from providing the shortfall, as several financially disastrous public-private partnerships have demonstrated. But unfortunately the political debate has become skewed towards dishonest, anti-state, populism. The public debate is not being led towards the necessity of greater public revenue. Consequently, Australia's public services are slipping down the OECD hierarchy and there are manifestly many gaps in the infrastructure and welfare provision, which all political actors actually recognize but are ideologically disempowered from remedying. Australia is near the bottom of the OECD tax-to-GDP ratio (see Fig 3) and has an inappropriate tax mix skewed towards income and away from consumption and wealth taxes (Eslake, 2011, OECD 2012). The Goods and Services Tax (GST) is declining in revenue significance and 40% of consumption expenditure is exempt.

Fig 3 Total Tax as a percentage of GDP.
Source: OECD 2012



The Henry Review was expressly forbidden from raising either the issue of tax-to-GDP ratio or the level of the GST, which has been stuck at 10% since its introduction in 2001. These omissions tell a definite story about the strength of anti-tax populism, as does the vehement opposition to the new mining and carbon taxes by vested interests and the populist conservative opposition, which is clearly winning the hearts and minds of the electorate.

In this context, the cartelization of politics and narrowing of the public policy debate has resulted, it can plausibly be argued, in a lack of good policy decisions in the interests of long-term investment in Australian physical and social infrastructure. There is now a severe investment deficit (by OECD standards), recognized on all sides, in roads, railways, ports, urban transport, internet, childcare, schools, universities, and aged care. Only the internet issue is being remedied adequately at present with the building of the NBN.

Current Resource Rent Taxation and Minerals and Energy Policy in Australia: State Versus Squatters Again?

It can be argued that the conflict in Australia between state and federal governments and the mining companies over resource taxation has striking parallels with earlier episodes of conflict between the state and squatters. Most of the major mining companies, in the current boom conditions, are making extraordinary profits while paying a reducing tax rate, as shown in Fig 1. Yet they were vehemently opposed to the Rudd Government's proposal to tax their super profits (ie economic rent) above a normal rate of return. Clearly, their opposition was driven in part by the fear that a precedent would be set for other governments around the world, since these corporations operate in numerous jurisdictions. Gillard's Minerals Resource Rent Tax (MRRT), which was enacted in March 2012 and will operate from July 2012, is an extension to terrestrial iron ore and coal mining of the principles in the existing Australian offshore petroleum industry taxation system, familiar to many countries. Indeed, this is believed to be the first time in the world that a RRT has been applied to minerals. Under the new tax almost all Australian iron ore and fossil fuel extraction (offshore and onshore) will be subject to the new RRT.

The MRRT will be levied at a rate of 30% on 'assessable mining profit', defined as assessable income minus deductible expenditure, that is, by subtracting all operating costs upstream from the actual mining extraction. There is also a 25% extraction allowance (Guj 2012). Modeling seems to show that the revenue stream from the tax will be very modest and below the government's expectations (Ergas, et al, 2010)[2]. If this is the case, the opportunity to tax mineral economic rent at a reasonable level will have been lost, thanks largely to the power of the mining companies to wage a partisan political campaign against the public interest.

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[2] In the 2012-2013 Australian federal government budget of 8 May 2012 the total of existing and new RRT for 2012-2013 financial year is estimated to be about 8 billion A$, which is about 2.14% of all federal government revenue.

Furthermore, as Barrett (2012) has shown, the largest mining and energy corporations have been very successful at monopolizing control of mineral resources through various arrangements that have effectively blocked and/or removed other land-uses, especially agriculture and tourism, and smaller mining companies that wish to have access. This is despite Australian law in which the minerals and energy resources beneath the surface belong to the States and a Mining Right is required. By securing very large exploration leases, large corporations are able effectively to 'lock away' a resource (that is, squat on it) from other companies while not actually attempting to mine it.

The taxation of minerals is both a local political and a global economic question. Economically, the future of this issue depends on global economic conditions in the commodities markets and that depends to a large extent on the economic conditions of the newly industrializing and rapidly growing states of the world in Asia and Latin America. The potential for global economic development and poverty amelioration has never been greater. The Asian century is certainly dawning and the consequences for the world system of capitalism and geopolitics are enormous. The commodity-dependence exporters such as Australia, Canada, Norway, Chile, and Brazil have seen their terms of trade rise to almost unprecedented levels but in a fluctuating manner. However, the international vulnerability of commodity exporters has always been related to the types, range, concentration, and overall dependence on commodities. Not all commodity prices rise and fall together.

Australia is fortunate that, although experiencing a commodity export boom (but not a rapid economic growth phase (cf Gregory and Sheehan, 2011), there is not an over-dependence on a small number of commodity exports, unlike with wool or gold dependence in earlier booms. For this reason the terms of trade and currency have not suffered shocks since the fall-out from the 2008 crisis when there was indeed a major shock. Because of the range of commodities and the trade profile generally, which includes significant services exports, the boom has been experienced in a more or less stable manner over the last decade. Even the global financial crisis did not result in a recession in Australia. Perhaps the most significant macroeconomic effect has been steady exchange rate appreciation on both a TWI basis and against the US dollar and Euro.

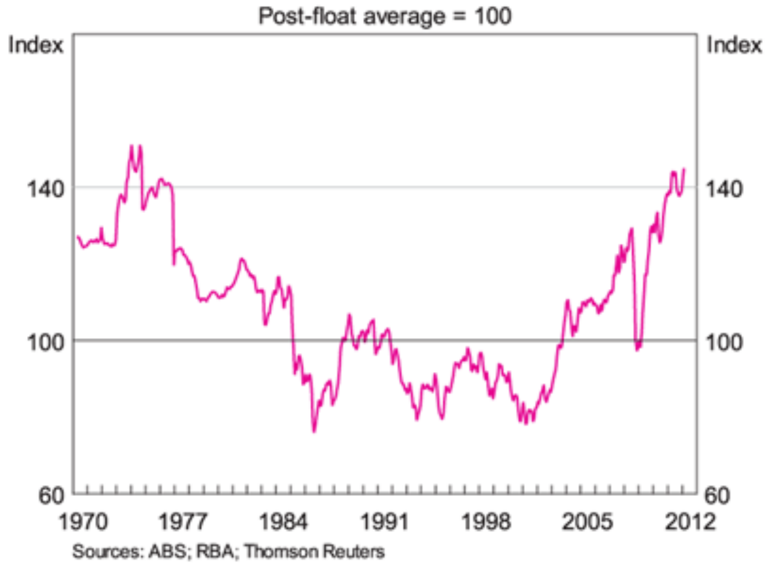
Currency Wars and Sovereign Wealth Funds in the Context of MRRT

One of the fundamental differences between the first and second golden ages of commodities is the exchange rate system. In this era of fiat and floating currencies, in which the Bretton Woods stabilization system lost all its power, the inflation risk faced by commodity exporting states has been greatly reduced but the forex risk to states and corporations is greatly enlarged. The Dutch Disease and other distortionary effects of overvalued and volatile currencies and the varying currency manipulation regimes around the world are now significant policy challenges for many states. Many seem powerless to cope with the challenges because of the current hiatus between the decline of the regulatory power of states in the neo-liberal era, on the one hand, without being compensated, on the other, by sufficient global regulatory power in the post-Bretton Woods era. The weight of global 'hot money', the size of the global carry trade, the misalignment (market derived and/or policy driven) of currencies, and the general lack of certainty pose significant risks for all trading firms and states, risks that are growing. The EU crisis shows the consequences, on a regional level, of this hiatus between local and global regulatory authority. Many federations have faced these problems in their early stages as they groped towards centralized authority. We see the same problem writ large on a global scale. The Bretton Woods system was replaced with greater uncertainty, volatility, and ultimately the global financial crisis. Only global regulation in some form (perhaps Bretton Woods Mark II) would achieve some necessary currency stabilization. Even one of the greatest beneficiaries of currency trading, George Soros, has advocated global regulation. But the financialisation forces against this are formidable for forex trading is now a vast industry.

The Australian dollar has had a large, sustained appreciation since 2000 of about 100%. (See Fig 4) The comparatively high level of interest rates for cash and bonds in the Australia market, the political stability, and the perception of sustainability and diversification of the commodities export profile, have contributed to the shift towards a degree of safe have status for the currency and bond markets. The degree of riskiness usually associated with such a commodity currency has declined and bad commodity news, such as falls in certain mineral prices or slowing Chinese growth, seem to have had little effect on the market's perception of the A$ in 2012. The lasting effects of the Eurozone crisis are yet to be felt.

The consequences for Australia of persistent high currency valuation is the beginning of classic Dutch disease effects in manufacturing (the import competing sector), some parts of agriculture (the traditional exporting sector), especially those with simple transformation, such as wine and dairy products, and services exports such as tourism and international students.

Fig 4 Real Exchange Rate Index of the Australian Dollar (Source: Lowe 2012)



Conclusion

In Australia's case of growing resource exports, low public sector debt, and now a balanced federal budget, the issue of a sovereign wealth fund to save the taxes of mineral profits is once again pertinent. Western Australia has now established one. But the MRRT is set at such a low level that the revenue stream is too small to be truly significant and the budget has already been designed to 'give it away' in tax concessions and pension investments for low-income earners. The concept of saving the resource rents seems not to be much on the government's agenda and neither is the idea of greater public sector infrastructure investment via an increased revenue base, especially via the GST. Populist opposition to taxes and the state's economic role could ensure the current boom does not have a long-term beneficial effect on Australian society, only a short-term beneficial effect for those who can 'reap the whirlwind', as with earlier resource booms. This time it looks like being a case of 'back to the future'.

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