

## **The Minerals Resource Rent Tax: the death rattle of social democracy in Australia?**

Thank you for the invitation to make a submission to your Inquiry into the development and operation of the Minerals Resource Rent Tax.

### **Introduction**

The submission deals first with the background – the big P picture of politics in Australia today - and argues the failure of the MRRT can be understood, not just in the context of bad design, but in the context of politics, and the degeneration of the ALP from a capitalist workers' party to a CAPITALIST workers' party.

The second part of the submission argues that it is this tension in the role of the ALP and the shift of its balance to capital that has seen Labor capitulate to mining capital. It is this that allows the Party in government to design a fundamentally flawed tax, one specifically designed not to tax the economic rent of some mining companies very much at all.

I conclude that only a return to working class struggle can redress the growing inequality in Australia. If that happens then a good first place to start would be rent tax on all super profits. The money is there. So why not start all over again? I have a suggestion. How about a 40% super profits tax applying to all resources? Oh... The ghost of Kevin Rudd ensures that won't happen.

### **The Labor Party**

The contradictory nature of the ALP reflects its foundations as a party of the trade union bureaucracy and its role of managing capitalism. The trade union bureaucracy, because it retails the price of labour power to the bourgeoisie is dependent on but separate from the working class and has ideas which flow from that about balancing the interests of workers and capital. This approach finds expression in the Party in balancing between labour and capital but in the end recognising the supremacy of capital and the capital accumulation process.

The ALP, as a capitalist workers party, has always adopted the dominant economic ideology of the time. In Keynesian times the Labor Party was Keynesian. In neoliberal times the ALP is neoliberal, and its links with the trade union bureaucracy make it a good vehicle for carrying the neoliberal program into the workplace.

## **Neoliberalism**

Elizabeth Martinez and Arnolando Garcia identify five main elements of economic neoliberalism – the rule of the market, cutting public expenditure for social services, deregulation, privatisation and eliminating the concept of public good or community and replacing it with individual responsibility.<sup>1</sup>

It was the Hawke Labor government which began in earnest the neoliberalisation of the Australian economy and politics and laid the groundwork for the ascendancy of the Howard Government. Similarly the neoliberalism of the Gillard government is laying the groundwork for the ascendancy of an Abbott government.

## **Shifting wealth from labour to capital**

The contradictory pressures on the ALP mean it must give the impression of progressive reform even if it is not delivering the reality of progressive reform in any depth. Since the late 1960s and early 1970s profit rates around the developed world have fallen (as Marx predicted would occur as a consequence of the way capitalist production is organised and the competition that arises from it). This has seen the state and capital attack social spending and, in country after country, attack the welfare state. The result of neoliberal policies has been a shift in the share of national income from workers to capital in Australia. Ian McAuley's graph from *New Matilda*<sup>2</sup> shows the shift graphically:

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<sup>1</sup> Elizabeth Martinez and Arnolando Garcia, 'What is Neoliberalism? A brief definition for activists' *CorpWatch – holding corporations accountable* <<http://www.corpwatch.org/article.php?id=376>>.

<sup>2</sup> (Ian McAuley, 'Abbott's phoney class war' *New Matilda* 11 May 2012 <<http://newmatilda.com/2012/05/11/abbotts-phoney-class-war>>

## Wages and profit shares of national income (Percent)



### Growing inequality

Here are some indicators from ACOSS and others of this inequality, and inequality that could in part be addressed by taxing the rich. The number of people living in poverty, according to ACOSS is 12.8% of the population, up for the 8% in 1994. 2.2 million Australians, including 600,000 children, live below the poverty line.

In Australia:

The richest 20 percent own 62 percent of the wealth,

The poorest 20 percent own less than one percent.

The richest 1% of Australians saw their share of total national income almost double between 1980 and 2008:

1980: 4.8%

2008: 8.8%

The top 10% have seen their income grow 4.5% per year since the mid-80s.

The bottom ten percent grew by only 3% per year.

According to the ACTU '[h]ouseholds in the top 20% of the income distribution pay an average of 34.5% of their incomes in taxes; households in the bottom 20% pay 26.7%.'

This seems a small difference between the rich and poor for a supposedly progressive tax system. Now remember that that top 20% own 62% of the wealth and the bottom 20% own less than 1%.

Let me give you a personalised example. My estimate is that Gina Rinehart, with wealth of \$17 billion, has gained in an hour more than a worker on the average wage of around \$75000 earns in a year. Think about that. Someone's working life for a year. Getting up every day to put in 8 or more hours of work, day in day out for the whole year and the result is the same in money coming in as Rinehart gets in half an hour or an hour.

A progressive tax system could help address these results, although it won't undermine the societal and economic drivers for growing inequality or the massive disparity in wealth unless a much more radical tax system were to come into being. Stiglitz puts it well when he says '...as economies have become more unequal, tax and expenditure policies have become less progressive.'<sup>3</sup> The end result has been 'that the burden of taxation has been shifted from those who can best afford it to the rest of society, and basic social programs for the poor and middle class have been curtailed.'<sup>4</sup> Jared Bernstein reinforces the point when he argues that '...the fact that the growth of inequality is largely a pretax phenomenon implies that tax changes alone won't reverse the trend.'<sup>5</sup> So a further approach, as well as taxing the rich, would be to address the issue at its source by stopping the wealth shift from occurring in the first place. 'Old fashioned' class analysis might conclude that that means winning big real wage increases and for example cutting the working week drastically. This could reverse or start to reverse the amount of national income going to capital.

### **Tax and neoliberalism**

Tax has not been immune from this neoliberalisation of policy in Australia.<sup>6</sup>

In its *Divided We Stand* Report the OECD has documented both an increase of inequality in almost all its members over the period 1985 to 2008 and a lessening of the role of tax and transfer systems in addressing that deepening inequality.

In relation to Australia it said:

Income inequality among working-age people has been rising since 2000 and is today above the OECD average. In 2008, the average income of the top 10% of Australians was 131 300 AUD (88 800 USD), nearly 10 times higher than that of the bottom 10%, who had an average income of 13 700 AUD (9 300 USD). This is up from a ratio of 8 to 1 in the mid-1990s.

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<sup>3</sup> Joseph Stiglitz, 'Introduction' in Anya Schiffrin and Eamon Kircher-Allen (eds) *From Cairo to Wall Street: Voices from the Global Spring* (The New Press, 2012) 5.

<sup>4</sup> Ibid.

<sup>5</sup> Jared Bernstein, 'Trickle-up Economics' *On the Economy* 3 January 2012 <<http://jaredbernsteinblog.com/trickle-up-economics/>>. 61

<sup>6</sup> Duane Swank, 'Tax Policy in an Era of Internationalization: Explaining the Spread of Neoliberalism' (2006) 60 *International Organization* 847.

The growth in inequality since 2000 was driven by two forces in different periods: widening disparities of market incomes (gross earnings, savings and capital) between 2000 and 2004 and weakening redistribution since 2004. According to the latest data, taxes and benefits reduce inequality by 23%, which is about OECD average.<sup>7</sup>

Indeed, according to the OECD in another report, Australia is a low tax country. Two graphs from the OECD illustrate this. The first is of tax ratio changes to 2010.<sup>8</sup>

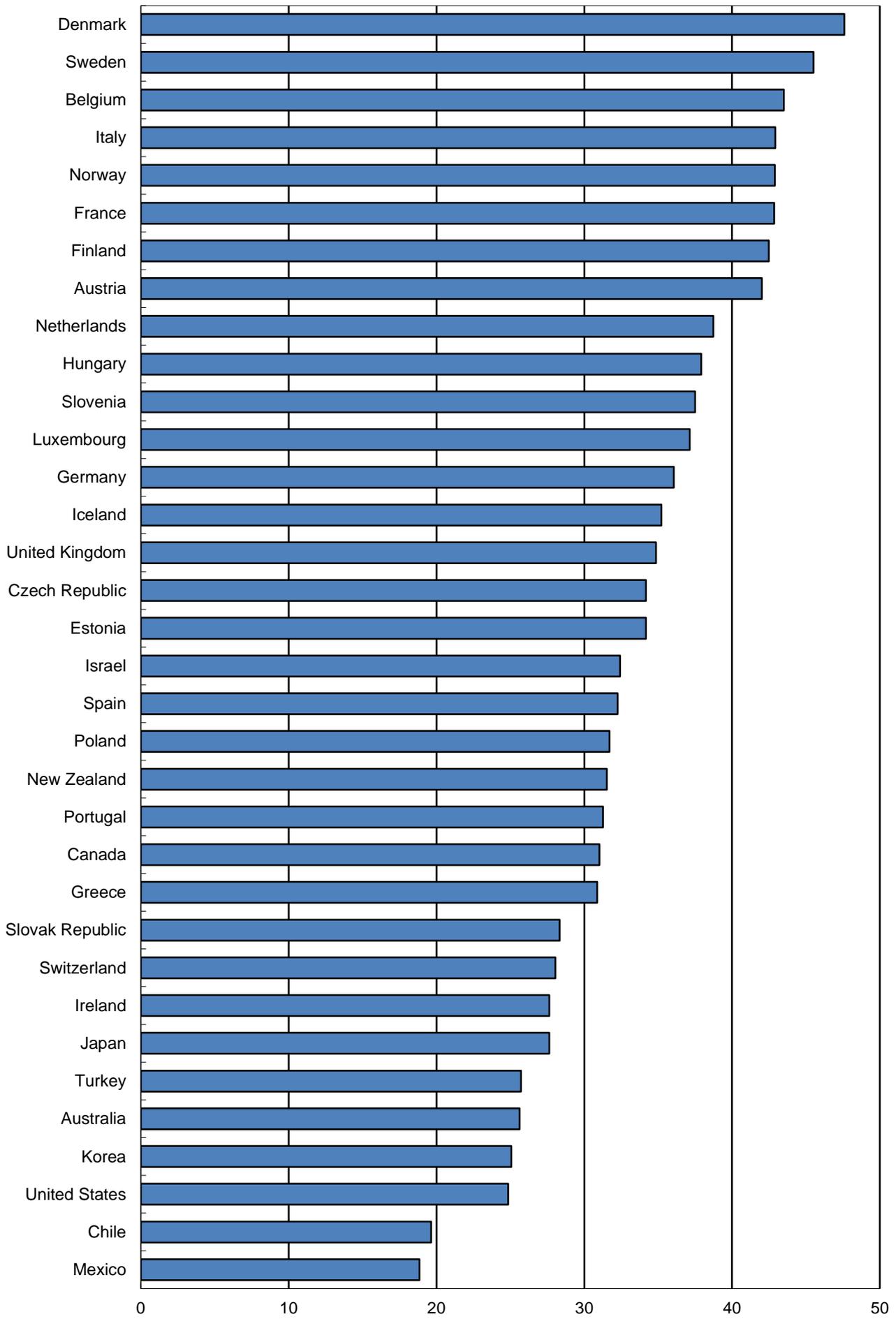
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<sup>7</sup> OECD, *Divided We Stand: Why Inequality Keeps Rising* (OECD, Paris, 2011) ‘Country note: Australia’ <<http://www.oecd.org/dataoecd/50/48/49177643.pdf>>. The link to the wider OECD Report can be found here: OECD, *Divided We Stand: Why Inequality Keeps Rising* (OECD, Paris, 2011) <[http://www.oecd.org/document/51/0,3746,en\\_2649\\_33933\\_49147827\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/51/0,3746,en_2649_33933_49147827_1_1_1_1,00.html)> .

<sup>8</sup> OECD Revenue Statistics Tax ratio changes to 2010. <<http://www.oecd.org/ctp/tax-policy/revenuestatisticstaxratioschangesto20102012edition.htm>>. Once in this site and after having a good look around hit the link to Chart A.

Chart A. Total tax revenue as percentage of GDP, 2010  
Graphique A. Total des recettes fiscales en pourcentage du PIB, 2010

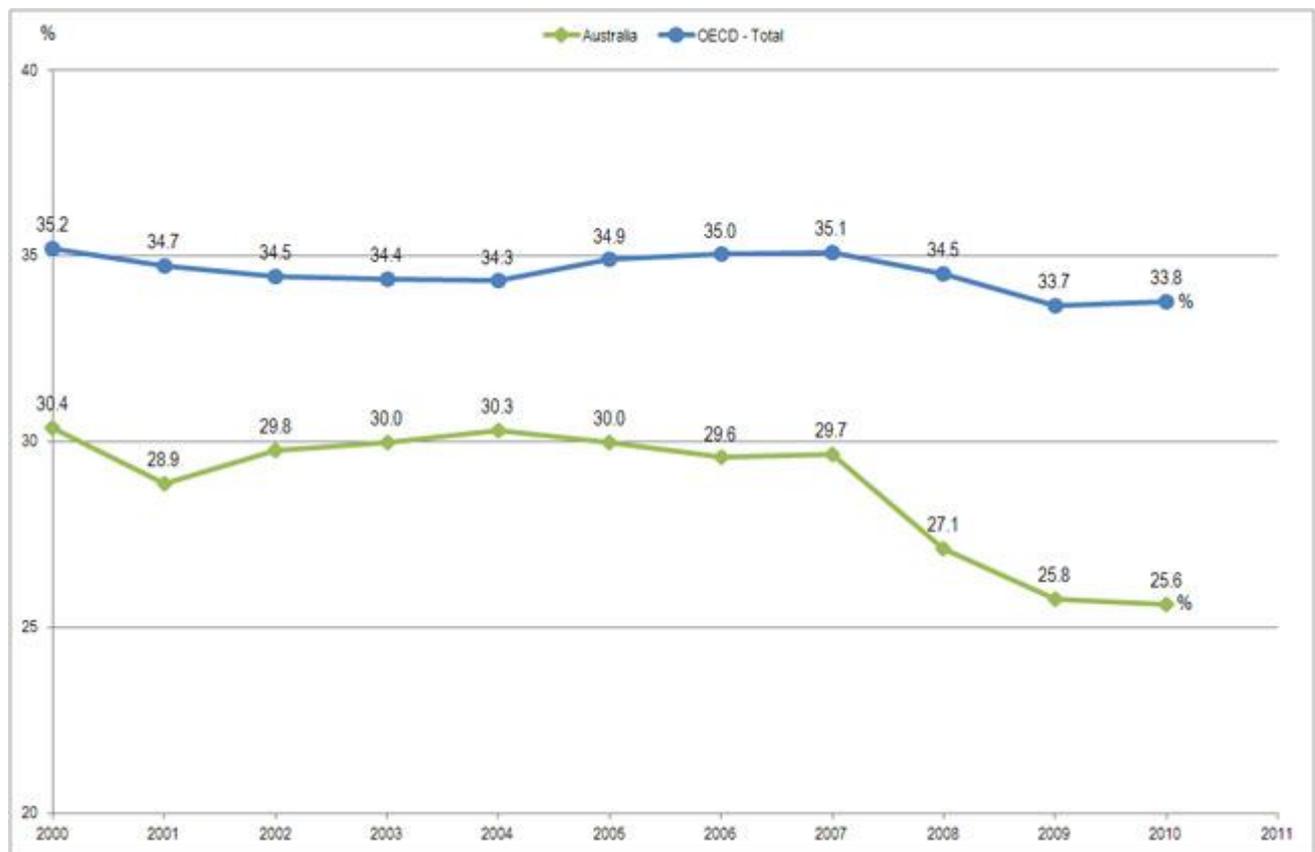


This is a long term trend, where Australian government tax revenue as a percentage of GDP has consistently been about 5% below the OECD average. This increased during the GFC to around 7% to 8% below, perhaps because of a collapse in company revenue and GST revenue. The OECD again:<sup>9</sup>

### Tax to GDP ratios

Australia is in the lower half of OECD countries ranked in order of tax to GDP ratio at 25.8% in 2009 and 25.6% in 2010. The ratio was 30.4% in 2000 and remained fairly stable to be 29.7% in 2007 before declining. The 2010 figure was lower than the OECD average of 33.8% and Australia's tax to gdp ratio has been lower than the OECD average in every year since 2000.

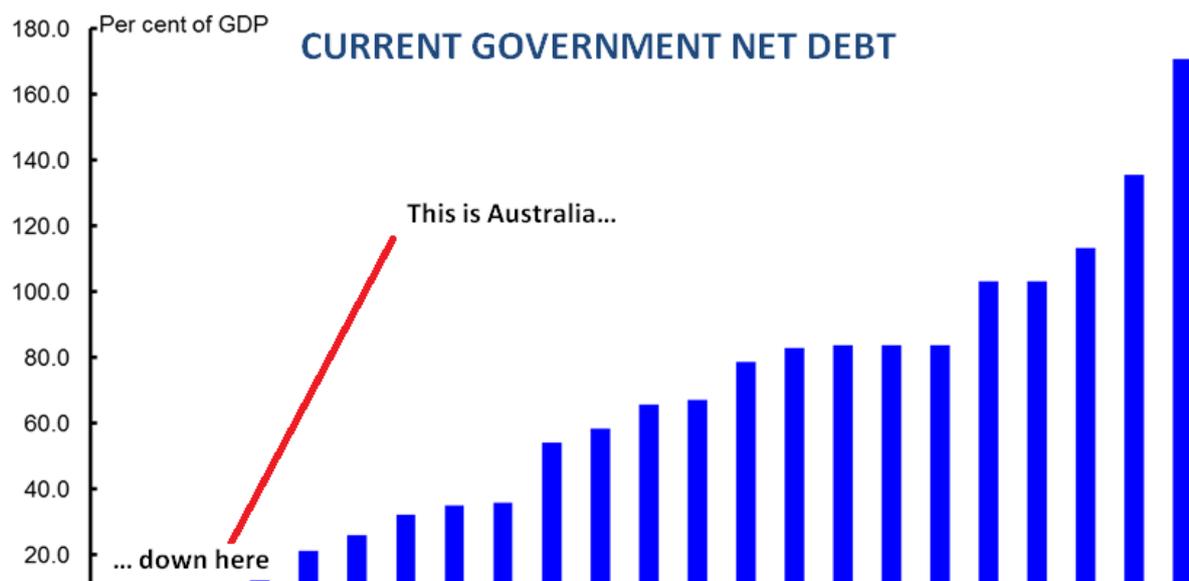
**Figure 1: Tax revenue as percentage of GDP 2000 to latest available data**



You can see from these charts that we are in a group with the US, Korea and Turkey with total tax revenue around 25% of GDP. The OECD's figures, and trends (especially over the last decade) show that Australia is a low tax country - consistently about 5% below the OECD average and in the group of comparable countries such as the US, Korea, Turkey and Japan. For 2010 (2011 figures should be out soon) Turkey and Japan and Ireland were slightly higher than Australia in terms of their tax to GDP ratios.

<sup>9</sup> OECD Revenue Statistics country note for Australia < <http://www.oecd.org/ctp/tax-policy/revenuestatisticscountrynoteforaustralia.htm>>.

Since the GFC the gap has widened a little to about 7% below the OECD average, with the extra 2% perhaps explicable by the fall in company tax receipts and GST and the slowdown in the mining boom. This also means, and given there isn't much Government debt (despite the surplus fetish rubbish both sides go on with) and that judged as a percentage of GDP government spending in Australia is low compared to other countries. A presumably unbiased ALP facebook site graph makes the point, perhaps somewhat melodramatically.<sup>10</sup>



An increase in Australia's tax take to the OECD average would increase Government revenue by over \$100 billion annually. The fight would be over which class – labour or lightly taxed capital – bears the burden. It is a fight that eventually will have to be had if we want an equitable, just society without poverty and privation. A decent rent tax on all super profits would be a good first step in that direction instead of the disgrace we currently have. That will only come about if workers mobilise and strike to address growing inequality.

### **Lack of working class struggle**

The defining characteristic of the last 3 decades in Australia and, as a generalisation, across the developed world has been the one sided class war<sup>11</sup> waged by the bosses and the lack of class struggle among most of the working class in response in the developed countries.<sup>12</sup> It is this lack of struggle that has enabled neoliberalism to become the dominant philosophy of the

<sup>10</sup> ALP Connect Current Government Net debt 26 March 2013 <<https://www.facebook.com/LaborConnect>>.

<sup>11</sup> Sharon Smith, 'Marxism, unions and class struggle' (July-August 2011) 78 *International Socialist Review* <<http://www.isreview.org/issues/78/feat-marxism&unions.shtml>>.

<sup>12</sup> Ibid.

ruling class around the globe in response to declining profit rates<sup>13</sup> and the economic crisis of the early 1970s, a crisis of profitability which discredited Keynesianism.<sup>14</sup> This is as true of tax policy and its neoliberalisation as it is of all other economic policies.

The strike figures in Australia for 2011 and previous years are at historic lows,<sup>15</sup> notwithstanding minor blips last year. While work days lost per thousand employees in the early 1990s was between 40 and 60, for the last half of the first decade of this century it was less than 5.<sup>16</sup> In 2012 the figure grew to a little less than ten, a consequence of major but concentrated strikes by teachers and nurses and building workers.

The picture today, even with ten days lost per thousand workers is very very low historically. Compared to the golden days of the late 60s and early 70s it is miniscule. As Jade Eckhaus

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<sup>13</sup> See, among others and to varying degrees, Chris Harman, 'The rate of profit and the world today' (Summer 2007) 115 *International Socialism Journal* <<http://www.isj.org.uk/?id=340>>; Andrew Kliman, *The Failure of Capitalist Production: Underlying Causes of the Great Recession* (Pluto Press 2011); Joseph Choonara, *Unravelling Capitalism: A Guide to Marxist Political Economy* (Bookmarks, 2009) 74 et ff; Kieran Allen, *Marx and the Alternative to Capitalism* (Pluto Press 2011) 142 et ff; Chris Harman, *Zombie Capitalism: Global crisis and the relevance of Marx* (Bookmarks 2009), 66; Gerard Duménil and Dominique Lévy, 'The profit rate: where and how much did it fall? Did it recover? (USA 1948-2000)' (Fall 2002) 34 (4) *Review of Radical Political Economics* 437; Gerard Duménil and Dominique Lévy, *The Economics of the Profit Rate* (Edward Elgar 1993); Gerard Duménil and Dominique Lévy, *Capital Resurgent: Roots of the Neoliberal Revolution* (Harvard University Press, 2004); Gerard Duménil and Dominique Lévy, 'The Crisis of the Early 21st Century: Marxian Perspectives' in R. Bellofiore and G. Vertova (eds), *The Great Recession and the contradictions of contemporary capitalism*, (2012, forthcoming, Edward Elgar : Aldershot, England); Guglielmo Carchedi, 'Behind and beyond the crisis' (Autumn 2011) 132 *International Socialism Journal* <<http://www.isj.org.uk/index.php4?id=761&issue=132>>; Alex Callinicos, 'The crisis of our time' (Autumn 2011) 132 *International Socialism Journal* <<http://www.isj.org.uk/index.php4?id=755&issue=132>>; Joseph Choonara, 'Once more (with feeling) on Marxist accounts of the crisis' (Autumn 2011) 132 *International Socialism Journal* <<http://www.isj.org.uk/index.php4?id=762&issue=132>>; Michael Roberts, 'The long depression – the waste of capitalism' *Michael Roberts Blog: blogging from a Marxist Economist* 3 May 2012 <<http://thenextrecession.wordpress.com/2012/05/03/the-long-depression-the-waste-of-capitalism/>>; Michael Roberts, 'The UK rate of profit and others' *Michael Roberts Blog: blogging from a Marxist Economist* 4 January 2012 <<http://thenextrecession.wordpress.com/2012/01/04/the-uk-rate-of-profit-and-others/>>; Minqi Li, Feng Xiao and Andong Zhu, 'Long Waves, Institutional Changes, and Historical Trends: A Study of the Long-Term Movement of the Profit Rate in the Capitalist World-Economy' (December 2007) XIII:1 *Journal of World-Systems Research* 33, 46. <[http://jwsr.ucr.edu/volumes/vol13/Li\\_etal-vol13n1.pdf](http://jwsr.ucr.edu/volumes/vol13/Li_etal-vol13n1.pdf)>. Despite the latter's essentially long wave and Wallserternian approach and the failure to understand the nature of the state capitalist regimes this paper contains much that is worthwhile in understanding the trajectory of profit rates in major developed countries over the last almost 150 years, in particular those trends in the two main 'free market' imperialist powers the UK and the US. There are others in the Marxist tradition who have written on the issue of profit rates including Rick Kuhn, Anwar Shaikh, Simon Mohun and Robert Brenner.

<sup>14</sup> Andrew Kliman, *The Failure of Capitalist Production: Underlying Causes of the Great Recession* (Pluto Press 2011) 203-206.

<sup>15</sup> In looking at the situation up to 2006, Chris White makes the same observation. Chris White, 'Inside the Tent,' *Evatt Foundation* <<http://evatt.org.au/papers/inside-tent.html>>.

<sup>16</sup> Michael Janda, 'Qantas dispute no reason for rushed IR reform' *The Drum* 1 November 2011 <<http://www.abc.net.au/news/2011-11-01/janda-qantas-dispute-no-reason-for-rushed-ir-reform/3613164>>. See also Rick Kuhn and Tom Bramble, *Labor's conflict: big business, workers and the politics of class* (Cambridge University Press, Melbourne 2010).

writes ‘... in the 1970s annual strike days per 1000 workers varied between 600-1200...’<sup>17</sup> To reiterate: in 2011 and before that it was ‘generally less than five [!]’<sup>18</sup> It is this loss of class combativeness, this lack of class struggle that helps explain the neoliberalisation of Australia and two consequences for tax - the capture of tax policy by the one percent<sup>19</sup> and growing tax inequality,<sup>20</sup> itself a subset of growing inequality<sup>21</sup> and a lack of will to tax the rich. Where society leads tax shall both follow and lead too.

### **Rent taxes as golden eggs**

A social democratic government, even if only in name, might seize on the opportunity to tax super profits with glee, to at least give the impression that it is about taxing the rich and making sure capital pays a ‘fair share’. So it was on 2 May 2010 when the Rudd Government released Australia’s Future Tax System Report,<sup>22</sup> more often referred to as the Henry Tax Review. It adopted a resource super profits tax to tax the economic rent of mining companies. Applying at 40% to the super profits of all minerals and resources, it was estimated the tax would raise \$3 billion in its first year of operation and \$9 billion in the year after.

In essence economic rent is ‘the excess payment received by a factor over the minimum required to induce it to do its work.’<sup>23</sup> The return is above the level required to compensate labour and, more importantly, capital.<sup>24</sup> Taxing that extra return, arguably even at levels close to 100 percent, will not change those investment and production decisions because the return is still above the level needed to reward capital.<sup>25</sup> Here is how the Henry Tax Review describes it:

An economic rent is the excess of the return to a factor of production above the amount that is required to sustain the current use of the factor (or to entice the use of the factor). For

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<sup>17</sup> Jade Eckhaus, ‘Why strikes are good’ *Socialist Alternative* 28 November 2011 <[http://www.sa.org.au/index.php?option=com\\_k2&view=item&id=7153:why-strikes-are-good&Itemid=392](http://www.sa.org.au/index.php?option=com_k2&view=item&id=7153:why-strikes-are-good&Itemid=392)>.

<sup>18</sup> Michael Janda, above n 16.

<sup>19</sup> John Passant, ‘The Privatization of Tax Law Design – From Farce to Tragedy’ (2008) 6 *Asia-Pacific Tax Bulletin* 447.

<sup>20</sup> OECD, *Divided We Stand: Why Inequality Keeps Rising* (OECD, Paris, 2011) ‘Country note: Australia’ <<http://www.oecd.org/dataoecd/50/48/49177643.pdf>>..

<sup>21</sup> Commonwealth of Australia, Social Inclusion, ‘How Australia is faring’, <http://www.socialinclusion.gov.au/node/209>>; OECD, *Divided We Stand: Why Inequality Keeps Rising* (OECD, Paris, 2011) <[http://www.oecd.org/document/51/0,3746,en\\_2649\\_33933\\_49147827\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/51/0,3746,en_2649_33933_49147827_1_1_1_1,00.html)>; ‘Country note: Australia’ <<http://www.oecd.org/dataoecd/50/48/49177643.pdf>>.

<sup>22</sup> Ken Henry et al, *Australia’s Future Tax System Report to the Treasurer* (AGPS, 2010). <[http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm)>.

<sup>23</sup> W.H. Wessel, ‘A Note on Economic Rent’ (1967) 57(5) *American Economic Review* 1221, 1223..

<sup>24</sup> Ken Henry et al, above n 22, Vol 2 Part 1, 171.

<sup>25</sup> Ross Garnaut and Anthony Clunies Ross, *The Taxation of Mineral Rents* (Clarendon Press, 1983) 27.

example, if a worker is paid \$100,000 but would still be willing to work at the same job if they were paid \$75,000, their economic rent would be \$25,000.<sup>26</sup>

As I have pointed out the neoliberal capture of the Labor Party and its possible approaching death as a social democratic organisation meant that the then Rudd Government wanted to use the revenue from the proposed RSPT as a redistribution of surplus among capital in the main by cutting company tax rates.<sup>27</sup> This was and is a further consequence of the trend to collapse of Labor as a social democratic party, although as Bramble and Kuhn make clear, this is more about moving to the capitalist end of the spectrum in the duality of the party that is a capitalist workers' party.<sup>28</sup> It means it could or can no longer as easily rule for all capital at the expense of some sections of capital.<sup>29</sup> The consequence of its loosening of the links with the trade union movement and closer ties with business and its resulting inability to impose solutions on particular capitalists for the benefit of capital was a ferocious mining industry campaign against the RSPT to which Labor responded by overthrowing Kevin Rudd and installing a new Prime Minister, Julia Gillard, who quickly replaced the RSPT with a much weaker tax,<sup>30</sup> the MRRT.<sup>31</sup>

In summary rent taxes have or can have a dual function – to attack the results of monopoly and to re-direct part of the economic rent to all Australian capital. The Henry Tax Review discussed economic rent in brief terms before focussing on one aspect of that general concept – namely resource rents and their taxation but the arguments remain the same whether we are dealing with general rent taxes or one version of them, resource rent taxes.

For many in the capitalist class and its state tax reform is essentially about tax cuts for business<sup>32</sup> and shifting the tax burden further on to the working class.<sup>33</sup> On this they are united and their expectation is that the capitalist state will carry out these reforms over time,

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<sup>26</sup> Ken Henry et al, above n 22, Vol 2, Part 1, 171.

<sup>27</sup> John Passant, 'Lessons from the recent resource rent experience in Australia' (2011) 10(2) *Canberra Law Review* 159 <<http://www.canberra.edu.au/faculties/busgovlaw/attachments/pdf/CLR-2011-Vol.-10-2-Symposium-edition.pdf>>172.

<sup>28</sup> Rick Kuhn and Tom Bramble, *Labor's conflict: big business, workers and the politics of class* (Cambridge University Press, Melbourne 2010), 17-18.

<sup>29</sup> Ibid, 184.

<sup>30</sup> For a description of the differences see Kompo-Harms and Kali Sanyal, 'The Minerals Resource Rent Tax—selected concepts and issues' *Parliamentary Library* 24 November 2011 <<http://www.aph.gov.au/library/pubs/bn/eco/MRRT.pdf>>. See also Passant above n 27, 169 et ff.

<sup>31</sup> Passant, above n 27, 172-173.

<sup>32</sup> See for example Bernard Keane, 'The strange reform hypocrisy of Australian business' *Crikey* 21 April 2011 <<http://www.crikey.com.au/2011/04/12/the-strange-reform-hypocrisy-of-australian-business/>>. See also James Paterson 'It's time for tax reform' *Institute of Public Affairs* 12 October 2011 <<http://www.ipa.org.au/sectors/nanny-state/news/2491/it's-time-for-tax-reform>>.

<sup>33</sup> Richard Wolff, 'The truth about "class war" in America' *The Guardian* 19 September 2011 <<http://www.guardian.co.uk/commentisfree/cifamerica/2011/sep/19/class-war-america-republicans-rich>>.

driven by competition with other countries<sup>34</sup> and, in Australia's case, as a capital importing nation, to attract foreign capital to survive.<sup>35</sup> It almost seems to prove correct Marx's comment about the state being the executive committee of the bourgeoisie.<sup>36</sup> But when, as the debate about the RSPT shows, other questions, for example about distributing the surplus from the mining capital to all capital through company tax cuts arise, they become a band of hostile brothers, or what Lenin, in talking about the League of Nations, called a thieves' kitchen.<sup>37</sup> The robber barons, the hostile brothers, were split in the case of the RSPT between mining and other rent profiteers and some sections of the capitalist class such as retailers and manufacturing industry who are part of Australia's slow speed economy.

The rentiers won. The rest as they say is history. A rent tax that collects just \$126 million in its first 6 months is part of that sorry history of Labor's capitulation to mining capital.

### **The MRRT – some specifics**

I wrote this on my blog [En Passant \(http://enpassant.com.au\)](http://enpassant.com.au) about the MRRT. It seems very relevant to the MRRT discussions.

*So now the truth is out. The much vaunted Minerals Resource Rent Tax raised a miniscule \$126 million in the first six months of its operation. Why it was only in October last year that Wayne Swan was telling us it would collect \$2 billion over the 2012/2013 income year. And before that Treasury and Government predictions were it would raise \$3.7 billion.*

*Why the difference? Wayne Swan told us that it was because of global uncertainty, a high Australian dollar and a fall in commodity prices.*

*Well the global economy is no more uncertain now than during the GFC in 2008 when mining companies were making super profits of about 20% on investment. They still are.*

*Yes, the Australian dollar is high, just as it was in October when The Treasurer announced in the Mid-Year Economic Forecast that the MRRT would collect a revised down figure of \$2 billion.*

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<sup>34</sup> Ken Henry et al, above n 22, Overview, 8.

<sup>35</sup> Ibid.

<sup>36</sup> Karl Marx and Frederick Engels, *The Communist Manifesto* <<http://www.marxists.org/archive/marx/works/1848/communist-manifesto/ch01.htm>>..

<sup>37</sup> V I Lenin, Vol.XXV *Lenin's Collected Works* 97(Third Russian Edition), quoted in Joseph Vandler, 'The "United Nations" – a new Thieves' Kitchen' (August 1945) 6 (8) *Fourth International* 244, 244. <<http://www.marxists.org/history/etol/writers/wright/1945/08/uno.htm>>.

As to iron ore prices, they may have had an impact. [According to the Treasurer](#) the price of iron ore has fallen from \$170 a tonne at the end of 2011 to \$80 a tonne in September last year. But here's the thing. Many supply contracts are long term to provide certainty to both the buyer and seller. Even though most are expressed in US dollars, the price of American dollars is around the same now as in October last year when the Treasurer forecast a \$2 billion tax take for the MRRT for this financial year.

Even the US dollar long term contracts will be hedged to spread currency risk. So the fall in iron ore prices might mainly have an impact on spot trades. These now account for about half of all iron ore sales, according to [the RBA](#). This is a change from 5 years ago when most contracts were more long term, either annual or quarterly in terms of prices.

So falling iron ore prices might account for part of the fall, but they are on the rebound.

Coal prices, the other resource covered by the MRRT, have [fallen about 20% in the last year](#), although they have increased from a low in September last year by 12% and will continue to increase.

Now the MRRT was the Julia Gillard do nothing tax. She knifed Kevin Rudd and his more expansive Resource Super Profits Tax. The RSPT applied to all resources and would have taxed the super profits at 40%. The MRRT, the mini-me resource tax the new Prime Minister Julia Gillard and her deputy, Wayne Swan negotiated personally with the big 3 mining companies, only applies to iron ore and coal and has an effective rate of 22.5%. It also gives a credit for mining royalties levied by the States and Territories.

So guess what? State governments have increased royalties on iron ore and coal.

There are other design issues with the MRRT to do for example with market value and immediate write off of investment undertaken after 1 July.

The money is there. So why not start all over again? I have a suggestion. How about a 40% super profits tax applying to all resources? Oh...The ghost of Kevin Rudd ensures that won't happen.

And while we are at it, why not a super profits tax on all super profits, not just those in the resource sector? The Big 4 banks come to mind.

## Conclusion

Taxing the rich will only be on the agenda, and using the extra money to improve public health, education, transport and address climate change also will only be on the agenda with a resurgence of class struggle by workers in Australia.

An upsurge of class struggle will be about workers improving their living standards in all sorts of ways - increasing real wages, creating jobs, making workplaces safe. Taxing the rich and big business and using the money to benefit workers and the poor is part of that campaign to improve the living standards of workers by getting back some of the surplus value we create for the bosses.

In doing that a more progressive tax system can be put back on the agenda.

There is much to be done. The wealth is there. Tax the rich and business to pay for better public health and education, to address poverty and homelessness, to introduce a free universal health care and disability system. But a radical and progressive tax system – taxing the rich till their pips squeak - will produce a backlash from capital. Plan B would be to nationalise any companies involved in a capital strike or threatening one in response to increasing their tax burden.

If so nationalise the mining companies and the banks.

And included in Plan B would have to be price controls to stop companies just passing on any tax increases to workers in higher prices.

Strike; nationalise; tax the rich. Fight back against the one sided class war the bosses have waged against workers and the poor over the past 3 decades for a more just and humane society for workers and the poor in Australia here and now.

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The views expressed are mine and not those of the School or University

