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The minerals resource rent tax: the Australian Labor Party and the continuity of change

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Abstract

Purpose - The purpose of this paper is to look at the recent history of proposals to tax resource rents in Australia, from Australia's Future Tax System Report (the "Henry Tax Review") through to the proposed Resource Super Profits Tax ("RSPT") and then the Minerals Resource Rent Tax ("MRRT"). The process of change from Henry to the RSPT to the MRRT can best be understood in the context of the Australian Labor Party (ALP) as a capitalist workers' party. The author argues that it is this tension in the ALP, the shift in its internal balance further towards capital and the lack of class struggle, that has seen Labor preside over what the father of rent tax in Australia, Ross Garnaut, describes as a "problematic" tax.

Design/methodology/approach - Qualitative research using Marxist tools.

Findings - The paper argues that the poor health of the MRRT is a consequence of the nature of the Labor Party as a capitalist workers' party, the shifts in power and influence within its material constitution and in essence the ascendency of capital in the capitalist workers' party. Originality/value - A very original approach to understanding the nature of the MRRT in Australia.

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Keywords

labor, party, minerals, resource, rent, continuity, tax, change, australian

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THE MINERALS RESOURCE RENT TAX - THE AUSTRALIAN LABOR PARTY AND THE CONTINUITY OF CHANGE

I INTRODUCTION

In this article I look at the recent history of proposals to tax resource rents in Australia, from Australia's Future Tax System Report[1] (the 'Henry Tax Review') through to the proposed Resource Super Profits Tax ('RSPT') and then the Minerals Resource Rent Tax ('MRRT'). The process of change from Henry to the RSPT to the MRRT can best be understood, not just in the context of bad design, but, building on the work of Bramble and Kuhn, in the context of the Australian Labor Party as a capitalist workers' party.[2] I argue that it is this tension in the ALP, the shift in its internal balance further towards capital and the lack of class struggle that has seen Labor preside over what the father of rent tax in Australia, Ross Garnaut, describes as a 'problematic' tax.[3]

The paper argues that the poor health of the MRRT is a consequence of the nature of the Labor Party as a capitalist workers' party, the shifts in power and influence within its material constitution[4] and in essence the ascendency of capital in the capitalist workers' party. What then is a capitalist workers' party?

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[1] Ken Henry et al, *Australia's Future Tax System Report to the Treasurer* (AGPS, 2010). There are 3 parts to the Report and they have 3 distinct footnote references in this article. 1 (a) Ken Henry et al, *Australia's Future Tax System Report to the Treasurer* (AGPS, 2010) Part One the Overview; 1 (b) Ken Henry et al, *Australia's Future Tax System Report to the Treasurer* (AGPS, 2010) Part Two Detailed Analysis Volume One and 1 (c) Ken Henry et al, *Australia's Future Tax System Report to the Treasurer* (AGPS, 2010) Part Two Detailed Analysis Volume Two. The link to the Final Report – all 3 sections plus other material - can be found here. <http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm.>.

[2] Tom Bramble and Rick Kuhn, *Labor's Conflict: Big business, workers and the politics of class* (Cambridge University Press, 2010) 17. See also Tom Bramble and Rick Kuhn, 'Continuity or Discontinuity in the Recent History of the Australian Labor Party?' (2009) 44(2) *Australian Journal of Political Science* 281, 281.

[3] Senate Economics References Committee, 'Development and operation of the minerals resource rent tax' Public Hearings Monday, 29 April 2013, 1 <http://parlinfo.aph.gov.au/parlInfo/download/committees/commsen/90627bc4-26d1-4498-a3f4-760f55d745a7/toc_pdf/Economics%20References%20Committee_2013_04_29_1920.pdf;fileType=application%2Fpdf#search=%22Id=media/pressclp/2457335%22>.

[4] Tom Bramble and Rick Kuhn, *Labor's Conflict: Big business, workers and the politics of class* (Cambridge University Press, 2010) 14-18.

II A CAPITALIST WORKERS' PARTY?

It was Lenin who outlined a set of useful criteria one could use for judging the real class nature of a workers' party. He said that 'whether or not a party is really a political party of the workers does not depend solely upon a membership of workers but also upon the men [and women] that lead it, and the content of its actions and its political tactics.'[5] Building on this insight, Bramble and Kuhn argue that the material constitution of the Labor Party, in other words 'its relationship with the different class forces in society'[6] judged by the criteria Lenin suggests, means that the ALP is a capitalist workers' party.[7] It is a workers' party because of 'its structural connection to the working class – albeit indirectly – via the trade union bureaucracy.'[8] It is a capitalist party 'because of the class interests of the politicians and unions officials who lead and control it, and because of the role it plays for the capitalist class.'[9] Labor manages capitalism; its 'priority is to make capitalism work.'[10] The relationship between labour and capital is fundamentally contradictory and the ALP is a dialectical structure which contains in both senses of the word that contradiction. The party has a dual nature – capitalist in its leadership and program but with a working class base and links to that class through the trade union bureaucracy.[11]

Labor adopts the dominant economic philosophy of the time when in government because it is a party committed to managing capitalism.[12] The needs of capital in the capital

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[5] V I Lenin, 'The Second Congress of The Communist International July 19-August 7, 1920: Speech on Affiliation to The British Labour Party 6 August 1920' <http://www.marxists.org/archive/lenin/works/1920/jul/x03.htm#fw6>.
[6] Tom Bramble and Rick Kuhn, above n 4, 15.
[7] Ibid 17.
[8] Ben Hillier, 'The ALP: What class of party?' (Autumn 2011) 2 Marxist Left Review <http://marxistleftreview.org/index.php?option=com_content&view=article&id=62:the-alp-what-class-of-party&catid=39:number-2-autumn-2011&Itemid=78>.
[9] Tom Bramble and Rick Kuhn, above n 4, 17-18.
[10] Ibid, 18. See also, for example, Joachim Hirsch, 'The State Apparatus and Social Reproduction', in John Holloway and Sol Picciotto (eds), *State and Capital* (Edward Arnold, 1978) 103. Hirsh argues that during crises of profitability especially, states defend profit and attack workers' incomes.
[11] Ben Hillier, above n 8.
[12] Tom Bramble and Rick Kuhn, above n 4, 22.

accumulation process change over time. The rise of neoliberalism is a response to the reassertion of the tendency of the rate of profit to fall from the late 1960s and early 1970s[13] and a search for ways to address that, in the main looking for what Marx called counteracting or countervailing tendencies.[14] In the age of neoliberalism cutting taxes on capital is seen as one way of doing that. It frees up more surplus value going to capital. According to the Rudd Labor Government in 2010 company tax cuts could be paid for by imposing a resource rent tax to help equalise profit rates and redistribute that 'extra' surplus value from mining capital to all of capital.

While the relationship between Labor and capital has become more complex and intertwined, at the same time the labour movement has declined in influence and power. Couple the end of the long boom with a collapse in class struggle in Australia over the last 3 decades[15] and the decline of trade unions and their membership numbers and the result has been 'an ebb tide in union affairs, a period of retreat that is still in progress.'[16] Because of the decline of union strength both in numbers and action, the material constitution of the ALP has shifted. It remains a capitalist workers' party in which the influence of capital has strengthened and that of labour and trade unions weakened. Bramble and Kuhn summarise the wider trends well when they say:

> The rightward shift in social democratic governments since the early 1970s can be understood, more specifically, as a consequence of capitalism's tendency to economic crisis,

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[13] Neil Davidson, 'The neoliberal era in Britain: Historical developments and current perspectives' (5 July 2013) 139 *International Socialism* Journal <http://isj.org.uk/?id=908#139davidson_28>; Ashley Lavelle, 'Explanations for the Neo-liberal Direction of Social Democracy: Germany, Sweden and Australia Compared', in John Callaghan, Nina Fishman, Ben Jackson and Martin McIvor (eds), *In Search of Social Democracy: Responses to Crisis and Modernisation* (Manchester University Press, 2009) 23; Al Campbell, 'The Birth of Neoliberalism in the United States: a Reorganisation of Capitalism', in Alfredo Saad-Filho and Deborah Johnston (eds), *Neoliberalism: A Critical Reader*. London: Pluto Press, 2005) 189.
[14] Karl Marx, *Capital Volume III* ((Foreign Languages Publishing House, Moscow, 1959) 227-235.
[15] See for example Tom Bramble, *Trade Unionism in Australia: A history from flood to ebb tide* (Cambridge University Press, Melbourne, 2008) 7; Australian Bureau of Statistics, *4102.0 - Australian Social Trends, 2008: Industrial Disputes* <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Chapter7302008>.
[16] Tom Bramble, *Trade Unionism in Australia: A history from flood to ebb tide* (Cambridge University Press, Melbourne, 2008) 125.

> the reaction of governments the world over to accelerated globalisation and the relative lack of political and industrial self-confidence amongst workers since the upsurge of working class militancy of the 1960s and 1970s abated.[17]

In relation to tax the needs of the capital accumulation process set the drivers for, parameters of and constraints on tax change and together with the factors Bramble and Kuhn have outlined above help explain the neoliberalisation of tax policy[18] and how a new tax imposing an increased liability on mining capital is part of the neoliberal project. To understand the limits of change we need first to look at the dependence of the state on the capital accumulation process.

III MUTUAL INTERDEPENDENCE

Tax is an extraction from surplus value, the difference between the value a worker creates and the value of their labour power.[19] The creation of surplus value in the production process is thus vital to the ability of the state to raise revenue and survive. It cannot do so by undermining the process of capital accumulation.[20] Without productive capital employing productive workers to produce surplus value, there would be no funds for the state to tax.[21] There is a structural dependence of the state, and other capital, on productive capital.[22] But

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[17] Tom Bramble and Rick Kuhn, 'Social Democracy after the Long Boom: Economic Restructuring and Australian Labor, 1983 to 1996' in Martin Upchurch, (ed), *The State and Globalisation: Comparative Studies of Labour and Capital in National Economies*, (1999, Cassell, London), 34.

[18] See for example John Passant, 'The Privatization of Tax Law Design – From Farce to Tragedy' (2008) 6 *Asia-Pacific Tax Bulletin* 447; John Passant, 'Neoliberalism in Australia and the Henry Tax Review' forthcoming (2013) 8 (1) *Journal of the Australasian Tax Teachers Association*.

[19] Chris Harman, *Zombie Capitalism: Global Crisis and the Relevance of Marx* (Pluto Press, 2009) 114. As Harman notes elsewhere 'To be absolutely accurate, it is the total state revenues minus that portion of them that flows back to the working class in terms of welfare benefits, subsidies etc that is part of the total surplus value; and the value of labour power is total take home wages plus these benefits, subsidies etc.' Chris Harman, 'The State and Capitalism today' (Summer 1991) 2: 51 *International Socialism Journal* 3, 53 at footnote 28 <http://www.marxists.org/archive/harman/1991/xx/statcap.htm#n28>.

[20] Chris Harman, *Zombie Capitalism: Global Crisis and the Relevance of Marx* (Pluto Press, 2009) 112.

[21] Productive capital is that section of capital in which their workers, productive workers, create surplus value, i.e. produce goods and services for sale on the market. See for example Karl Marx, *Capital Volume I* (Progress Publishers, Moscow 1977) 149 and 201; Alex Callinicos, *The Revolutionary Ideas of Karl Marx* (Bookmarks, London, 1996) 219; Chris Harman, above n 20, 114.

[22] One view is that structural dependence means that 'under capitalism all governments must respect and protect the essential claims of those who own the productive wealth.' See Adam Przeworski and Michael Wallerstein, 'Structural Dependence of the State on Capital' (March 1988), 82 (1) *The American Political Science Review*

the dependency is mutual because capital also depends on the state for a range of capital protecting institutions, laws, secure borders in which to operate, regulation of disputes between capitalists, the supply of labour, the development of a skilled working class and its control. Productive capital depends too on other capital, especially finance capital and commercial capital, for the ability to create and realise surplus value.

However productive capital, commercial capital, finance capital, landlords and the state - the band of hostile brothers[23] - also compete or fight among themselves for a share of the surplus value productive workers produce. The result of the fight over the distribution of surplus value, whether it be in the form of profits, interest, rent or taxes, is determined by a range of factors, but in the end all are dependent in the first place on the creation of surplus value in the productive sector for their particular share of it. This fundamental of capitalism and mutual interdependence[24] sets the limits of the autonomy from capital and capital accumulation that any state can develop.[25] Part of that battle among the hostie brothers is over rent, the excess surplus value that accrues to sections of capital for reasons that do not reflect the level of capital and labour investment.

A *Rent*

Surplus value is surplus or unpaid labour. It is created in the sphere of production but arises in concrete form in the sphere of circulation, i.e. the market. Its particular form, profit, interest, rent, taxes arises there. Competition means that there is a tendency for profit rates to

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11. There Przeworski and Wallerstein examine and critique this argument, as do others. In the tax context see for example Duane Swank, 'Funding the Welfare State: Globalization and the Taxation of Business in Advanced Market Economies' (1998) 46 (4) *Political Studies* 671. For a defence of the idea of the mutual interdependence of capital and the state, see Chris Harman, above n 20, 110-112.

[23] I would use siblings instead of brothers but the phrase is now so entrenched in Marxist and other leftwing writing that it is seemingly untouchable. Interestingly, although Marx talked about hostile brothers, he never called them a band. Later writers ascribed the whole phrase to Marx and it is now so established in leftwing discourse that I use it to describe capitalists who own and control the commanding heights of the economy and have interests in common (against labour) and opposed (in competition) to each other, and their state.

[24] Chris Harman, above n 20, 114.

[25] Ibid 111-112.

equalise. More profitable sectors attract increased investment both reducing that sectors average profit and increasing the sector the investment left. Sometimes this process of equalisation is blocked by what Marx calls an alien force,[26] for example by monopoly or landed property. This means that certain sectors can obtain a share of the surplus value greater than a normal return on its investment suggests it would under usual market conditions receive.[27]

These particular circumstances enable the retention or extraction of extra surplus value, i.e. surplus value from the other hostile brothers. One of those circumstances is the monopoly of private property in land. Another is that monopoly of resources in land, or rather an oligopoly between state ownership of resources in minerals and private ownership of land. It is why for example the Henry Tax Review referred not just to resource rents but to the rent taxes it proposed arising from state ownership of the resources in Australia as being 'a charge for the sale of a public asset.'[28] But it is not just the Commonwealth and the mining companies who want to obtain mining rents.

B *Royalties*

There is a bifurcation of the state in Australia between States and Territories on the one hand and the Commonwealth on the other. The States and Territories own the minerals and

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[26] Karl Marx, above n 14, 761-762.

[27] One at least of these circumstances – absolute rent - can be explained as the value of the goods being greater than their prices of production.[27] This can occur for example in labour intensive industries. So the price of these commodities can rise above their actual price of production but still be below their value. The difference between the actual price and the price of production is absolute rent. As David Harvey says 'Part of the excess surplus value produced in agriculture by its labour intensity (lower value composition) is "filched" (as Marx puts it) by the landlord, so it does not enter into the equalization of the rate of profit.' David Harvey, *The Limits to Capital* (Basil Blackwell, 1982) 351. But for industries with a high Organic Composition of Capital and alien forces preventing equalisation of profit rates, like mining in Australia, the argument becomes that that those barriers to entry or other alien forces allow the filching to continue, not as absolute rent but monopoly rent. David Harvey, *The Limits to Capital* (Basil Blackwell, 1982) 349 and 353.

[28] Ken Henry et al, above n 1(b), 219.

resources on the Australian mainland; the Commonwealth owns the offshore ones.[29] The Commonwealth effectively exercises a monopoly right to tax income.[30] This bifurcation and the failure to replace inefficient royalties with an efficient rent tax is one of the problems of the MRRT.[31] Thus the Henry Tax Review recommended that 'the current resource rent arrangements … be replaced by a uniform resource rent tax,'[32] or in other words abolish State and Territory royalties and replace them with a Commonwealth resource rent tax. Of course this would also require the Australian and State Governments negotiating '…an appropriate allocation of the revenues and risks from the resource rent tax.'[33] However neither the Rudd Labor Government with its proposed RSPT nor the Gillard Labor Government with its MRRT had the strength of working class or other political support to negotiate this outcome or impose it on the States and Territories. Its relationship with the various class and political forces – its material constitution - was inadequate to deliver an efficient resource rent tax outcome. Instead it shielded State and Territory royalties, an inefficient outcome for capital

[29] The States own the minerals and resources onshore and to the 3 nautical mile territorial limit; the Commonwealth anything beyond that within Australia's jurisdiction. See Anthony Cox, 'Land Access for Mineral Development in Australia',32 in Roderick G. Egger (ed) *Mining and the Environment: International Perspectives on Public Policy* (1994, Resources for the Future). The Hawke Labor Government set up the Petroleum Resource Rent Tax in the mid-1980s to tax economic rent arising from offshore petroleum and gas exploitation. For a fuller explanation see John McLaren, 'Petroleum and Mineral Resource Rent Taxes: Could these taxation principles have a wider application?' (2012) 10 Macquarie Law Journal 69.
[30] Thomas Courchene, 'Subnational Budgetary and Stabilization Policies in Canada and Australia' in James M. Poterba and Jurgen von Hagen (eds), *Fiscal Institutions and Fiscal Performance* (University of Chicago Press 1999) Table 12.1 page 304.
[31] Ross Garnaut says: 'There is no prospect of dealing with the full range of the MRRT problems except in the context of a new framework of federal financial relations. I note in passing that the system for distributing the GST among states and territories creates large disincentives for the states and territories to introduce on their own account fiscal regimes for resource developments that are economically efficient and equitable for the residents of their jurisdictions. Thus efficiency raising and equitable reform of resource taxation in Australia requires comprehensive revision of fundamental aspects of federal financial relations.' Ross Garnaut, 'Development and operation of the minerals resource rent tax' *Senate Economics References Committee Public Hearings* Monday, 29 April 2013, 1 <http://parlinfo.aph.gov.au/parlInfo/download/committees/commsen/90627bc4-26d1-4498-a3f4-760f55d745a7/toc_pdf/Economics%20References%20Committee_2013_04_29_1920_Official.pdf;fileType=application%2Fpdf#search=%22committees/commsen/90627bc4-26d1-4498-a3f4-760f55d745a7/0001%22>. Garnaut also said: 'Retention of state royalties means that the advantages of the PRRT for encouragement of complete economic utilisation of marginal ore projects are not available within the MRRT. The shielding of liability for MRRT through credits for new state royalties invites instability in the overall mineral taxation regime and can be expected to remove the tax's capacity to raise revenue.' Abolishing royalties was within Labor's control if it were prepared or pushed to deny MRRT credits for such taxes. It didn't, because its links to its working class base have weakened.
[32] Ken Henry et al, above n 1(b), 231.
[33] Ibid.

but not for the States and Territories. They could then increase these inefficient taxes at the expense of Commonwealth revenue, as they have done. The political outcome achieved the exact opposite of one of the main rationales for a resource rent tax that the Review argued for – the replacement of inefficient royalties with an efficient rent tax.

Efficient taxes are at the heart of the Henry Tax Review. What are they and why are they important?

C *Efficiency and tax*

The Henry Tax Review's vision is of four robust and efficient tax bases to replace the more than 100 mainly State and Territory inefficient taxes.[34] The vision and direction is of a comprehensive personal income tax, growth oriented business income tax, a broad simple consumption tax and taxes capturing economic rents in resources and land.[35] These four tax bases are what Swank describes in another context more generally as part of a 'set of market-conforming tax policies'[36] or in effect neoliberal tax policies.[37] Efficiency here is capitalist efficiency. The irony is that the more efficient the capital accumulation system is the earlier and more deeply can the systemic crisis of profitability built on the logic of capital accumulation unfold. Resource rent taxes are part of this neoliberalisation because they 'offer an efficient way to divert a share of rents on natural resources to the public sector…'[38] Rent taxes are efficient taxes, so the argument goes, precisely because they impact on investment and other decisions the least.[39] Since 'rents exist where the proceeds from the sale of resources exceed the cost of exploration and extraction, including a required rate of return to

[34] Ken Henry et al, above n 1 (a), 11.
[35] Ibid, xvii.
[36] Duane Swank, 'Tax Policy in an Era of Internationalization: Explaining the Spread of Neoliberalism' (2006) 60(4) *International Organization* 847, 848.
[37] Ibid 847-848.
[38] Robin Boadway, *From Optimal Tax Theory to Tax Policy: Retrospective and Prospective Views* (The MIT Press, 2012) 7.
[39] Ken Henry et al, above n 1(a) 13.

compensate factors of production (labour and capital),'[40] taxing those rents or extra rewards does not impact on investment decisions, and is thus, from the point of view of the state whose revenue raising is structurally dependent on the capital accumulation process and the creation of surplus value, and from the point of view of other capital, efficient. Indeed in its analysis of taxes and their efficiency the Review found that the then only existing rent tax in Australia, the Petroleum Resource Rent Tax, was the most efficient because '… modelled as a pure rent tax [it gives] rise to a zero welfare loss.'[41]The argument from many economists, policy developers and some politicians for rent taxes, especially in light of declining profit rates and demands for more efficient ways of allocating investment and addressing misallocation caused by inefficient taxes, will not disappear.

D *Tax reform as part of the capital accumulation process*

In relation to tax the dominance of capital accumulation expresses itself as the state adjusting or reforming its tax system to both make the system more efficient and to attract capital, in other words to make the conditions for the creation of surplus value more propitious and its distribution more in accordance with the level of capital invested and not lost to deadweight costs.[42] Thus the Henry Tax Review focuses on 4 efficient tax bases[43] and for a small open

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[40] Ken Henry et al, above n 1(b), 218.
[41] Ken Henry et al, above n 1 (a), 13.
[42] 'Deadweight losses arise when individuals change their behaviour in response to higher taxes, substituting one kind of behaviour for another which would have been preferred had the tax increase not occurred. For example, if income taxes rise, some people might decide to work fewer hours, or they might conclude it is not worthwhile training for an additional qualification, or they might stay on welfare rather than look for a job, or be deterred from the risk of setting up a company of their own. Deadweight losses, in other words, represent the disincentive costs of tax. They are the value of all the work and output that we lose as a result of taxing people's incomes' Alex Robson, *The Costs of Taxation* (CIS Policy Monograph 68, 2005) vii <http://www.cis.org.au/images/stories/policy-monographs/pm-68.pdf>. See also Alan J Auerbach and James Hines Jr, 'Taxation and economic efficiency,' in A J Auerbach and M. Feldstein (eds), *Handbook of Public Economics*, (Elsevier 2002) edition 1, volume 3, chapter 21, 1347, 1347.
[43] Ken Henry et al, above n 1(a), xvii.

economy like Australia's a tax regime that attracts foreign investment and encourages home grown investment.[44]

In modern capitalism, finance capital is essential to productive capital and the creation of surplus value.[45] This has systemic consequences, including for tax, for a capital importing economy like Australia's. Nation states compete for mobile capital. In relation to investment, as the Review puts it, '[i]n a world of increasing capital mobility company income tax and other taxes on investment have a major impact on decisions by businesses on where to invest, how much and what to invest in and where to record their profits.'[46] It is this belief on the part of policy makers and politicians, irrespective of its validity,[47] that has been driving company tax rates down around the world[48] and explains, among other things,[49] the Henry Tax Review recommendation for a reduction in the short to medium term of company tax rates in Australia from 30% to 25%.[50]

The ideology of efficiency and using the revenue to cut company tax rates helps explain the focus of the Review on a resource rent tax. One capitalist economic tradition views rent taxes as not interfering in the process of capital accumulation.[51] In terms of the 'least economic harm equals most efficient tax' argument, a well designed resource rent tax '…is less likely to distort investment and production decisions.'[52] This is because, it is argued, they have no

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[44] Ibid 39-43.
[45] The issue is not so much the financialisation of capital but the close and interdependent relationship between finance and productive capital. See, for example, Alex Callinicos, *Imperialism and Global Political Economy* (Polity Press, 2009) 20.
[46] Ken Henry et al, above n 1 (b), 149.
[47] See for example Duane Swank, above n 36, 847. There Swank argues that the tax burden on companies in the developed world had not changed much up to the mid-1990s. While Swank may have been correct when he wrote this, his data is old and the drop in both headline and effective tax rates on companies in Australia and the developed world appears real enough now. See Ken Henry et al, above n 1(b) 160-162.
[48] Ken Henry et al, above n 1(b) 160.
[49] Those other things might include the Review's vision of lower tax rates on mobile capital compared to fixed factors like resources, land, consumption and that labour which cannot leave Australia for work.
[50] Ken Henry et al, above n 1 (b), 167.
[51] See for example Ross Garnaut and Anthony Clunies Ross, *Taxation of Mineral Rents* (1983 Clarendon Press).
[52] Ken Henry et al, above n 1 (b), 222.

impact on normal rates of return.[53] They apply in other words only to the returns over and above normal returns. Those normal returns continue to be received and are sufficient to ensure investment and production occurs as usual. In fact, because the rent tax will be less than 100%, and assuming its design is such as to only apply to economic rent, the returns on investment will continue to be above normal rates of return all other things being equal.[54]

E *Redistributing and Increasing Surplus Value*

For a social democratic party the temptation of such a magic pudding tax[55] appears obvious. Yet the spending program associated with the $12 billion annual RSPT revenue was not social democratic. For the Rudd Government the RSPT revenue was first and foremost to be spent on company tax cuts.[56] This is part of the wider neoliberalisation of tax policy and practice[57] which includes not just a trend to lower tax rates on capital generally but differential and lower tax rates on mobile capital and savings, flatter tax rates on income, especially reducing top marginal rates on higher income earners and more emphasis on consumption taxes.[58] These reforms are aimed at freeing up more surplus value for capital. In other words the search for more efficient taxes is about shifting the tax mix in the short to medium term so if needed the same amount of tax can be taken from surplus value with less deleterious effects on the production of surplus value out of more productive activity. It can also be a way for example through company tax cuts for less tax to be taken from surplus value, leaving more for the non-state hostile brothers to compete for or fight over.

[53] Ibid.

[54] For example a collapse in demand for resources would mean not all other things are equal.

[55] John Passant, 'Lessons from the Recent Resource Rent Tax Experience in Australia', (2011) 10(2) *Canberra Law Review* 159, 179 <http://www.canberra.edu.au/faculties/busgovlaw/attachments/pdf/CLR-2011-Vol.-10-2-Symposium-edition.pdf>; Henry Ergas, Mark Harrison and Jonathan Pincus, 'Some Economics of Mining Taxation' (2010) 29(4) *Economics Papers: A Journal of Applied Economics and Policy* 369, 369.

[56] Kevin Rudd and Wayne Swan 'Stronger, fairer, simpler: a tax plan for our future' Joint media release, 2 May 2010 <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/028.htm&pageID=003&min=wms&Year=&DocType>.

[57] Duane Swank, above n 36, 847.

[58] Ibid, 848.

But it is not just about the distribution of surplus value. At the heart of the Henry Tax Review is the assumption that firms exist to maximise their profits through competition and that government policies, such as taxes, must not only take the response of profit maximising businesses into account[59] but treat this process of capital accumulation as paramount. The structural dependence of the state on capital[60] and the efficient extraction of surplus value in the process of capitalist production is a key to understanding the Henry Tax Review and the RSPT and the MRRT. Because the collection of tax is dependent on the process of capital accumulation and the creation of surplus value, the challenge for bourgeois policy makers and politicians is to develop a tax system or systems which create the least distortions to the market and profit making – the most efficient taxes – and provide, if the pool of surplus value is sufficient and there is pressure from the working class to do so, for social spending.

Yet, reflecting class divisions, tax policy and its development is contradictory and contested. This most often occurs at the level of ideas but progressive policies, including tax policies, can become part of the lexicon of tax planners when class struggle emerges.[61] This is part of the wider story of the continuity of change within Labor; the continuity of contradictions bound up in being a capitalist workers' party. This dynamic tension and developing dominance of capital over labour in the relationship between the two, or as Bramble and Kuhn put it, 'the distancing of the party from many of its traditional policies and its ever closer relationship with big business, and the maintenance of Labor's basic connections with

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[59] Robin Boadway, above n 38, 38. Boadway was talking about optimal tax theory but since the Henry Tax Review is an admittedly unacknowledged attempt to put that theory into practice the comment applies equally in my view to the Review. See John Passant, 'Neoliberalism in Australia and the Henry Tax Review' forthcoming (2013) 8 (1) *Journal of the Australasian Tax Teachers Association*.
[60] Adam Przeworski and Michael Wallerstein, 'The Structural Dependence of the State on Capital' (March 1988) 82(1) *The American Political Science* Review 11, 12.
[61] Tom Bramble, above n 16, 240.

the trade unions'[62] explains the life story of the latest iteration of rent tax in Australia, from the Henry Tax Review recommendations to the RSPT and on to the MRRT.

V THE LONG AND WINDING ROAD TO THE MRRT

The Henry Tax Review recommended there be a resource rent tax for a number of reasons.[63] In essence it was because the resources are non-renewable, the return to the community is low and the then current arrangements distorted investment and other decisions.[64] When it released the Henry Tax Review the Rudd Labor Government unveiled the Resource Super Profits Tax (RSPT), a tax based to a large extent, with some modifications, on the Review's resource rent tax recommendations.[65]

A *Class interests in the responses to Henry*

The government's response to the Henry Tax Review made the RSPT the epicentre (and almost the only measure) of tax reform adopted. There are in my view two reasons for this concentration on rent tax and the exclusion of other reforms. If substantially implemented, the Review's proposals and vision would have shaken up all of society – capital and labour. The Labor Party was neither going to allow an opportunity for political brand differentiation to pass by nor expose itself to attacks from its own members and union and wider working class base by, for example, broadening the consumption tax in the interests of efficiency.[66] For this reason the Labor government did not consider, as the Henry Tax Review suggested, another consumption tax, namely a broad based cash flow tax, a tax on the difference between the cash inflows and outflows of business, to fund the abolition of inefficient State

[62] Tom Bramble and Rick Kuhn, above n 4, 5.
[63] Ken Henry et al, above n 1 (b), 231.
[64] Ibid 217.
[65] Kevin Rudd and Wayne Swan, above n 56.
[66] Ken Henry et al, above n 1(b), 273-274. The current Goods and Services Tax has exemptions for fresh food, health and education which mean it applies to only 57 percent of consumption. Ibid 273.

taxes like payroll tax and insurance taxes.[67] Similarly, it did not take up the Review's recommendation to flatten the personal income tax rate system with 'a $25,000 tax free threshold, a 35 per cent marginal rate for 97 per cent of tax payers, and a 45 per cent marginal rate for very high-income earners (those earning over $180 000 per year).'[68] However, according to the Australian Council of Trade Unions, (ACTU), this would have increased the income tax payable by taxpayers earning between $36000 and $93000.[69] Again, Labor was not going to attack its base, especially in the run up to an election due later that year.

The move to broadening the consumption tax base and to a flatter personal income tax may be something that the Liberal Party, with its close links to business rather than labour, is more able to propose and then pursue both because it can wear some opprobrium from workers and because it can proclaim the efficiency of such changes and the seeming benefits that will flow for all with more conviction. Thus it was the Howard Liberal government who introduced the Goods and Service Tax in 2000 after winning a majority of seats but not votes at the 1998 election on the issue. Tony Abbott, the recently elected Prime Minister, has announced before the election in his 2013 Budget in reply, that his government would, within 2 years of coming to office, 'consult with the community to produce a comprehensive white paper on tax reform.'[70] He promised to 'finish the job that the Henry review started and this government

[67] Ibid 276.
[68] ACTU, 'PAYING OUR WAY: Restoring fairness to personal income tax' *ACTU Working Australia Tax Paper No. 4,* October 2011, 19 <http://www.actu.org.au/Images/Dynamic/attachments/7201/ACTU_Tax_Paper_4.pdf>; Ken Henry et al, above n 1(a), 29.
[69] ACTU, 'PAYING OUR WAY: Restoring fairness to personal income tax' *ACTU Working Australia Tax Paper No. 4,* October 2011, 20 <http://www.actu.org.au/Images/Dynamic/attachments/7201/ACTU_Tax_Paper_4.pdf>.
[70] Tony Abbott, 'Budget Reply' Parliament House, Canberra 16 May 2013 <http://www.liberal.org.au/latest-news/2013/05/16/tony-abbott-budget-reply-parliament-house-canberra>.

squibbed.'[71] That White Paper will include the GST and any suggested reforms will be taken to the 2016 election.[72]

B Labor, Systemic Solutions and Tax

One strength of Labor from the point of view of the system is and has been its links to the trade union movement, not business. This has at times made it the champion of reforms that attack particular sectors of capital for the benefit of capital as a whole. Drawing on an insight from Lance Sharkey, the former Secretary-General of Communist Party of Australia,[73] Bramble and Kuhn argue that:

> [Labor's] partial independence from the capitalist class, both financially and in terms of its voting base … means that it can at times better serve the long-term interests of Australian capitalism. Unlike the conservative Coalition parties which are tied up both personally and financially with sectoral business interests, Labor enjoys a relative freedom to enact legislation or introduce policies that hurt the interests of specific sections of capital but benefit the class as a whole.[74]

The Whitlam government's decision to cut tariffs by 25 percent is one example as are the banking reforms of the Hawke Government.[75] The base broadening tax reforms of the Hawke Government in the 1980s are a further example. Apart from almost pulling off introducing a consumption tax – unions withdrew support late in the day – the Hawke Government was able to include capital gains in the income tax net and fix up the fringe benefits mess by making the employers the taxpayer for benefits provided. It also bought the international tax

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[71] Ibid.
[72] Mark Kenny, 'Abbott: GST is back on the agenda' *Sydney Morning Herald* 18 May 2013 <http://www.smh.com.au/federal-politics/political-news/abbott-gst-is-back-on-the-table-20130517-2js0b.html>.
[73] Lance Sharkey, *Australia Marches On* (1943, Communist Party of Australia, Sydney) mentioned in Tom Bramble and Rick Kuhn, above n 4, 18 and cited at fn 32 p 196.
[74] Tom Bramble and Rick Kuhn, above n 17, 38-39.
[75] Ibid, 39.

system into the 20th century with credits for foreign tax paid. It introduced dividend imputation. After some debate it implemented the petroleum resource rent tax.

Neoliberal tax base broadening[76] enabled the Labor Government to make across the board company tax cuts from 49% when it came to office in 1983 to 33% when it left in 1996. It also cut the top marginal personal income tax rate from 60% to 46%. Yet there is a tension between managing capitalism and implementing some measures that impact on sections of capitalism or even all of capital for the benefit of capital. The imposition of the CGT in 1985 is a case in point. Bringing such gains within the income tax net is an apparently equitable move[77] which applies disproportionately to the well off. (The top 20 percent own over 60% of the wealth in Australia.)[78] Yet the tension between capital and workers plays itself out here too. The original 1985 CGT that Labor introduced only taxed real capital gains. The gains were indexed so that only those gains greater than inflation were included in assessable income. All other income is taxed on notional gains. For salary and wage earners there was and is no inflation adjustment.

Labor's concessional tax treatment of capital gains laid the ground work for the Howard government to repeal the inflation adjustment and offset it with a concession that included only 50% of a capital gain made by individuals or trusts on assets held for more than 12 months in assessable income. Treasury estimates the revenue foregone as a result of the 50% concession at more than $4 billion in 2012/13.[79]

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[76] Swank, above n 36, 847, 848.
[77] I say apparently equitable because it was driven by efficiency considerations and was an attempt to address the investment distortions which non-taxation produced.
[78] Australian Bureau of Statistics, *6554.0 - Household Wealth and Wealth Distribution, Australia, 2011–12 Summary of Findings* (Canberra 21 August 2013) <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6554.0Main%20Features22011%E2%80%9312?opendocument&tabname=Summary&prodno=6554.0&issue=2011%9612&num=&view=>.
[79] The Treasury, *Tax Expenditures Statement 2012* (Commonwealth of Australia 2013) 163 <http://www.treasury.gov.au/~/media/Treasury/Publications%20and%20Media/Publications/2013/TES/downloads/PDF/TES_2013_Consolidated.ashx>.

The ability of Labor to impose solutions on capital that impact on sections of capital is always contested. Further the political upheaval over the RSPT and the development of the MRRT show that in times of very low levels of class struggle, with the weakening of the role of the trade union leadership in the ALP and the strengthening of the role of parliamentarians, plus the institutionalisation of neoliberalism in Labor,[80] this ability to impose systemic solutions over the resistance of sectors of capital has declined.[81]

C *Showing weakness in strength*

The mining companies' backlash against the RSPT, as well as destroying a Prime Minister,[82] destroyed the grand expenditure dreams of one-third each of the estimated ten billion on company tax cuts, one-third on infrastructure for the mining industry and one-third to cover the loss of revenue from superannuation tax concession through superannuation guarantee increases.[83] The destruction of Kevin Rudd as Prime Minister and the elevation of Julia Gillard to the position were orchestrated through both right and some left wing members of the caucus[84] and the powerful right wing union, the Australian Workers' Union and Paul Howes, its leader.[85] The $22 million advertising campaign by the Minerals Council of Australia was having an effect. The ALP was falling in the polls. An election was due in the next couple of months. The right in caucus and in the AWU joined together to replace Rudd with Julia Gillard. She introduced a much watered down tax, the MRRT.[86]

The unions showed their weakness in their strength. Their power was to change Labor leaders. Their weakness was not being able to defend a tax on big business. They used their power within the ALP to change the leadership and lead a retreat from a broad resource rent

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[80] Tom Bramble and Rick Kuhn, above n 4, 168 et ff.
[81] Ibid 184.
[82] John Passant, above n 55,172-173.
[83] There have been smaller company tax cuts and the SG increases are continuing.
[84] Right and left now appear more as tribal descriptions than differential ideological ones.
[85] Tom Bramble and Rick Kuhn, above n 4, 183.
[86] John Passant, above n 55, especially 169-176.

tax. This process of retreat was mediated through a troika of politicians – new Prime Minister Julia Gillard, Treasurer Wayne Swan and Minister for Resources Martin Ferguson – and a troika of the big mining companies – BHP Billiton, Rio Tinto and Xstrata. The double troika agreed to the MRRT.[87]

The Gillard Government established a group which later became the Policy Transition Group (PTG) headed by then Resources Minister Martin Ferguson and former BHP Billiton Chairman Don Argus 'to consult with industry and advise the Government on the implementation of the new MRRT and PRRT arrangements.'[88] These broad design features were in the Heads of Agreement that the Government and BHP Billiton, Rio Tinto and Xstrata signed on 1 July 2010.[89] The role of the PTG then became 'to advise on the technical design of the new arrangements.'[90]

The campaign of the mining industry saw the biggest 3 miners in Australia set the terms of the design of the proposed MRRT. Their power and dominance over Labor was such that the industry not only forced Labor to remove a Prime Minister and set the design parameters of a new tax. They were able to set those parameters so restrictively that they and the rest of the mining industry will pay little tax under the MRRT. What was missing in this fight between Labor and mining capital was any counterbalance of unions, party membership and/or left wing politicians, let alone powerful political and social forces to the left of the Party, to challenge the power of mining capital and reinforce government resolve. The demise of the left in the party, the weakening of the trade union movement and the collapse in membership

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[87] Julia Gillard, Wayne Swan and Martin Ferguson, 'Breakthrough Agreement With Industry On Improvements To Resources Taxation', Joint Press Release 2 July 2010 <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2010/055.htm&pageID=003&min=wms&Year=&DocType=0>. The actual Heads of Agreement can be found here. <http://archive.treasury.gov.au/documents/1936/PDF/104_emai_final_version_with_comments_BHP.pdf>.
[88] Ibid.
[89] Policy Transition Group, 'New Resource Taxation Arrangements' 5 (Commonwealth of Australia December 2010) <http://www.futuretax.gov.au/content/Publications/downloads/New_Resource_Taxation_Arrangements_Report.pdf>.
[90] Ibid.

- important elements of the material base of the Labor Party - made it more susceptible to a campaign by mining capital against the RSPT. This decline in working class numbers and strength in the ALP made the party more susceptible to the anti-RSPT campaign and unable to develop a groundswell of support. As Bramble and Kuhn put it: ‘The Party today has less of a base in the working class that it can use as a counterweight to a section of the capitalist class mobilising against particular government policies.’[91] The rightwing unions had the strength, together with parliamentarians, to force the removal of a Prime Minister, but that strength was part of the wider campaign to retreat from the mild RSPT. The unions would not or could not mobilise effectively against mining capital in defence of a resource rent tax. Labor leaders and parliamentarians did not initiate or call on the membership or unions for such a move. The Party was frozen in the headlights of mining capital by its weakened links with unions and their reduction in social weight.

D *The chimera of revenue*

The end result was a tax that raises very little compared to expectations and predictions. This Table from the Parliamentary Library[92] shows the extent of the decline in predicted revenue – from $3.7 billion[93] initially as the RSP, to the MRRT collecting only $126 million in its first six months of operation.[94]

Table 1: Changes in Minerals Resource Rent tax revenue projections ($ billion)

	2012–13	2013–14	2014–15	2015–16	2016–17
May 2010 announcement of Resource Super Profits Tax	3.0	9.0	Not available	Not available	Not available

[91] Tom Bramble and Rick Kuhn, above n 4, 184.
[92] Kai Swoboda, ‘Budget Review 2013–14: Revised revenue projections and associated expenditure for the Minerals Resource Rent Tax’ Parliamentary Library Research Paper no. 3 2012–13 Canberra May 2013 <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201314/MRRT>.
[93] Australian Government, Budget 2011-12, *Budget Paper No. 1*, Statement 5: Revenue, 35. See also John McLaren, ‘Petroleum and Mineral Resource Rent Taxes: Could these taxation principles have a wider application?’ (2012) 10 *Macquarie Law Journal* 69.
[94] Sally Zou and Sunanda Creagh, ‘Mining tax shortfall: the experts respond’ *The Conversation* 8 February 2013 <http://theconversation.edu.au/mining-tax-shortfall-the-experts-respond-12105>.

November 2011 introduction of MRRT Bills	3.7	4.0	3.4	Not available	Not available
November 2011 MYEFO	3.7	3.8	3.1	Not available	Not available
2012-13 Budget	3.0	3.5	3.2	3.7	Not available
October 2012 MYEFO	2.0	2.4	2.1	2.6	Not available
2013-14 Budget	0.2	0.7	1.0	1.4	2.2

Sources: Australian Government, *Budget measures: budget paper no. 2: 2010-11*, p. 45, accessed 9 May 2013; Revised Explanatory Memorandum, *Minerals Resource Rent Tax Bill 2011*, p. 4, accessed 15 May 2013; Australian Government, *Mid-year economic and fiscal outlook 2011-12*, p. 264, accessed 9 May 2013; Australian Government, *Budget strategy and outlook: budget paper no. 1: 2012-13*, p. 5-20, accessed 9 May 2013; Australian Government, *Mid-year economic and fiscal outlook 2012-13*, p. 357, accessed 15 May 2013; Australian Government, *Budget strategy and outlook: budget paper no. 1: 2013-14*, 2013, pp. 3-18 and 9-21, accessed 14 May 2013.

In short the predicted MRRT revenue has been in freefall for two years. The question is why the huge decline?

While market conditions - continued global instability, commodity price volatility and a high dollar - were and are part of the explanation[95] the real problem appears to be the design faults in the tax, in particular the deductibility of State and Territory royalties, the choice companies can make of market value of mines rather than historical cost for the tax's starting base and the down streaming of profits to avoid the application of the tax. The tax collected is miniscule.[96]

[95] Wayne Swan, 'Minerals Resource Rent Tax revenue' *The Treasurer Media Release* 8 February 2013 <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2013/019.htm&pageID=003&min=wms&Year=&DocType=0 >. However the dollar has declined over ten percent since Swan argued this and the price of iron ore and coal has stabilised and may begin to rise slowly.

[96] David Uren, 'Treasury exposes mining tax flaws as Martin Parkinson blames Labor's concessions' *The Australian*, 15 February 2013 <http://www.theaustralian.com.au/national-affairs/treasury/treasury-exposes-mining-tax-flaws-as-martin-parkinson-blames-labors-concessions/story-fn59nsif-1226578314817>. If the profit can be allocated against downstream activity after extraction it is, so the argument goes, not economic rent and hence not caught by the MRRT. Unsurprisingly mining companies have claimed a large amount of the profit they make comes from their downstream activities. There are two answers. Tax Office audits could establish if in fact the profit arises in the extraction (rent) stage or downstream; and second the economic rent of minerals arises in part because of their finite nature so including downstream profits in the bundle of economic rents is arguably appropriate.

The difference between tax reform in the 1985/86 period and under Rudd and Gillard is that in the earlier period the trade union bureaucracy was heavily involved while the Rudd and Gillard governments have distanced themselves from the union leadership,[97] with the consequence that the Henry Tax Review and subsequent tax reform developments had no effective union involvement.

E *Tax to mimic competition*

The RSPT was to be a measure to redistribute super profits from mining capital to all of incorporated capital through company tax cuts. Its other role was to mimic competition by reducing the amount that the rate of profit of mining companies exceeded the average rate.

One of the keys to understanding the dynamics of capitalism is the tendency for profit rates to move towards the average both within industries and across them, or as Marx puts it a 'general equalisation of surplus-value to an average profit.'[98] Competition does this. Thus where industries have high profits other capitalists come in, reducing the profit rate in that sector and increasing it in sectors they have left or not invested in. However sometimes there are barriers to competition or other factors that impede or inhibit or override competition, Marx's alien forces.[99] Monopoly or oligopoly provides one example. So too does landed property. Marx described it this way. 'Such an alien force and barrier are presented by landed property, when confronting capital in its endeavour to invest in land; such a force is the landlord *vis-à-vis* the capitalist.'[100] The tax then becomes a mechanism for helping address the effects of the alien force that is landed property rich in minerals by reducing the rate of profit to the extent of the tax. The filcher is filched. The extra profit arising from the filching

[97] Tom Bramble and Rick Kuhn, above n 4, 169.
[98] Karl Marx, above n 14, 761.
[99] Ibid.
[100] Ibid.

is taxed and a redistribution of surplus value from other capitalists to the monopolist or oligopolists occurs.

Private ownership of land in agriculture and state ownership of minerals together with private rights to mine in the mining industry are the alien forces which give power to this transfer, this 'filching' of surplus value by the mining companies from other capitalists. Indeed the state in extracting royalties or taxes on super profits may be acting like capitalist landlords, filching surplus value through its ownership of the minerals (State and Territory Governments) or through its effective monopoly income tax power. Yet despite this notional power the Labor Party in government could not resist the powerful mining industry.

F *The power of the mining industry*

The mining industry is powerful. Mining accounts for about 7% of GDP and about 2% of employees or 260,000 workers. [101] Minerals are the country's biggest export. Excluding oil and gas, they 'were worth approximately $164 billion in 2011-12, accounting for around 52% of total exports (goods and services) and 62% of merchandise exports.'[102] Australia is near the top of the list of mineral producers and has very large reserves in a wide range of resources.[103]

Despite the Minerals Council highlighting possible sovereign risk issues and suggesting one possibility for mining companies was to go to other countries during its campaign against the RSPT, according to Behre Dolbear's respected rankings system, Australia was the best place for resource investment in the world, and has been for the last 3 years.[104] One of the seven criteria in judging that is the tax regime as it applies to the mining industry.

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[101] Geoscience Australia, 'Minerals Basics', <http://www.ga.gov.au/minerals/basics.html>.
[102] Ibid.
[103] Ibid.
[104] Chris Wyatt and Taylor McCurdy (eds), 'Behre Dolbear 2013 Ranking of Countries for Mining Investment:

This number one ranking may be because Australia's RSPT/MRRT prompted other nations to revisit their own tax regimes. Certainly other countries turned an eye towards their mining industries. Behre Dolbear notes that increasing government debt and mining booms have 'inspired officials in almost every minerals-producing nation to consider raising mining-related taxes and fees.' [105] They go on to point out that Australia's attempts to impose resource rent taxes may well have been the catalyst or inspiration for this global re-awakening in governments wanting better returns from the mining industry.[106]

The economic power that the mining industry has, and its potential future profits from the massive reserves, translates into political power. The exercise of that power resonated in the ALP and helps explain the fall of Rudd Mark I, the rise of Gillard to power and the development of a tax that brings in much much less that expected. The logical outcome of negotiating a tax with the 3 most powerful mining companies in Australia would appear to be a tax that doesn't tax much.

The specific design reasons for this problematic tax should prompt the question – how did this arise? That can only be understood against a background of decades of class collaboration from the union leadership, a massive decline in strikes over the last 20 years, the ALP's embrace of neoliberalism as part of the generalisation of class collaboration and the weakening of the power of union influence within the party. It is the shift in the ALP over time from a capitalist workers' party to CAPITALIST workers' party that explains the process of change that led to the MRRT and its lack of bite.

Certainly the Labor Party's greater overt commitment to the market, to privatisations, to restraining unions, to cutting public services, the even greater influence and power of the

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"Where Not to Invest"' 2 <http://www.dolbear.com/_literature_171586/2013_Ranking_of_Countries_for_Political_Risk_or_Where_Not_to_Invest>.

[105] Ibid, 9.

[106] Ibid.

Right and the shift of the Parliamentary Left to the right, the changing nature of class background of Labor parliamentarians, the collapse in branch membership, all indicate a party in change from in the past some balance between capitalist and worker to more CAPITALIST and less worker influence.

The ALP, as a capitalist workers' party, has always adopted the dominant economic ideology of the time.[107] In Keynesian times the Labor Party is Keynesian.[108] In neoliberal times the ALP is neoliberal,[109] and its links with the trade union bureaucracy make it a good vehicle for carrying the neoliberal program into the workplace. It is because the trade union bureaucracy are the mediators between labour and capital that they are pro-capitalist and best able to spread capitalist ideas and policies into the workforce.[110]

G *Elite gridlock?*

The Labor Government's lukewarm reaction to the recommendations of the Henry Tax Review – they initially adopted only a few of the 138 recommendations[111] - reflects a pattern of tax timidity caused by elite gridlock. That gridlock stems in part from two aspects of the class nature of the main parties. The Liberals' close ties to business make them less likely to impose systemic tax solutions that impact adversely on major sections of capital. The focus will be on taxing labour and their systemic solutions, for example the introduction of the GST, represent this underlying class approach. Their proposed white paper on taxation will focus on how best to tax workers, in the context perhaps of a reduction in the need to raise revenue from efficient sources because of a reduction in government spending, in particular on social and welfare services.

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[107] Tom Bramble and Rick Kuhn, above n 4 183.
[108] Ibid.
[109] Ibid.
[110] Ben Hillier, above n 8.
[111] Malcolm Farr, 'Rudd hacks through cynicism' *The Daily Telegraph* 4 May 2010 <http://www.dailytelegraph.com.au/news/opinion/rudd-hacks-through-cynicism/story-e6frezz0-1225861726408>.

The decline of Labor as the party best equipped to impose systemic tax solutions for the benefit of all capital at the expense of some sections of it, exemplified by the history of the MRRT, means that there will likely be no party into the future arguing for progressive tax reform that taxes business.

The problem for the system in the future is that this incremental slowly slowly approach – even if it occurs or eventuates à la MRRT - fails to address the big challenges that the Henry Tax Review tried to address: demographic changes, demands for adequate social spending on health, education and the like, globalisation, the inefficient mix of current taxes, the need to attract foreign investment, the changing nature of Australia's role in the global economy, the rise of Asia and climate change.[112]

These drivers are not going to disappear overnight. Underlying this all is the question of what is happening with profit rates globally and in Australia. If the global economy goes into further recession and Australia joins them the pressure for tax reform that cuts tax burdens on capital may increase.

Against this background delaying or dismissing tax reform action now will only increase systemic pressure for big bang reform in the future. The efficient tax argument is of particular importance for capital in times of declining profit rates. As Henry put it '…most taxes result in some loss of economic efficiency'[113] because they impact on work, investment and consumption choices. Couple this with the Review's analysis that many State taxes are inefficient and that they should be abolished[114] and a future shift to more efficient (but not necessarily equitable) taxes like rates and land taxes as well as broad based consumption taxes becomes not only a possibility but eventually, given the systemic drivers for ongoing

[112] Henry et al, above n 1 (a), 3.
[113] Ibid, 13.
[114] Ibid, xviii, 12, 48 and 49.

tax reform, a necessity. Indeed, the elite gridlock around tax reform, one caused in my view by the particular and seemingly irreconcilable interests of sections of capital, the close links of the Liberals with business, the weakness of the ALP now to impose solutions for the benefit of the whole system at the expense of sections of it and fear still of possible working class reactions to further shifting the burden of tax on to workers, means that the tax system may be moving towards stasis if not crisis. The solution of the Coalition, close to business, may be through tax shifts on to labour and cuts to services that are labour's social wage.

VI *CONCLUSION*

The foregoing discussion of the MRRT in my view indicates that the ALP remains a capitalist workers' party but that the capitalist aspect of the party has grown stronger and that of labour weaker. The underlying economic crises of global capitalism, the crises of profitability in much of the developed world, the collapse in Australia of class struggle over the last 3 decades, the adoption of class collaboration by the unions, the weakening of their strength, the ALP's long slow dance with neoliberalism, and the Party's commitment to managing capitalism help explain both the RSPT proposal and its mini-me version, the MRRT, in the context of Labor as a capitalist workers' party and the changing nature of its relationship with the 2 major classes in Australia today, capital and labour. The shift in the balance of class forces to capital societally and in the ALP means that one of Labor's traditional roles of imposing solutions on sections of capital for the benefit of all capital is being undermined. The MRRT is one logical consequence of that shift.