

Mining, Myths and making it up in Western Australia

Andrew Thackrah

Postgraduate candidate, School of Humanities, University of Western Australia

Following then prime minister Kevin Rudd's announcement in May that the Commonwealth Government would introduce a new 40% 'super-profits' tax on the profits of some mining companies, a wave of hysteria swept through sections of the political class of Western Australia. In its Foundation Day editorial the state's main newspaper, *The West Australian*, said its inhabitants could be forgiven for feeling like 'they are living in a state under siege'. Prominent Western Australian identity and boss of Fortescue Metals, Andrew Forrest, has predicted the new tax could result in 30,000 job losses.

Julia Gillard's ascension saw a new deal negotiated with the mining companies. The rate of taxation was reduced to 30% and the number of companies affected by the new arrangements was drastically cut. The hyperbole, however, has not subsided. Fresh mining industry-funded ads have claimed that electricity prices will rise and the value of superannuation funds fall if the new arrangements are introduced. With Tony Abbott promising to oppose Labor's 'big new tax', the proposed changes have become a red-hot election issue – nowhere more so than in the mining-centric state of Western Australia.

Western Australia is a mining state whose citizens' obsession with resources has shaped almost every facet of their lives. A degree of parochialism commonly creeps into political debates in the West. Ironically, however, in their strident defence of the significant role played by resource companies in maintaining Australia's prosperity, mining tax opponents have clearly highlighted just how much the dominant framework of political economy in Western Australia draws upon globally ascendant free-market ideology. In short, the history of mining in Western Australia bears striking parallels to the wider history of contemporary free-market capitalism.

This reality becomes clear when one considers two of the key arguments deployed against the mining tax. First, it is suggested that the mining industry is a 'golden goose' that spreads prosperity throughout society and that government regulation will only succeed in 'killing off' the good times. The 'golden goose' defence of

the mining industry was quickly deployed following the announcement of the super-profits tax. Shadow Treasurer Joe Hockey, for example, declared that Kevin Rudd was ‘about to take money off the golden goose that’s delivering Australia an age of prosperity’.

Globally, this line of argument commonly has been used to defend the interests of domestically dominant industries. Yet, as British geographer Doreen Massey highlights in *World City*, her book on the City of London, the golden goose analogy serves to conceal more than it reveals. Massey notes that instead of the concentration of economic activity in London’s finance sector over the last two to three decades being seen as ‘...an element in the production and reproduction of inter-regional inequality... it is taken as given and then interpreted as a source of London’s largesse to the nation as a whole’.

The point here is not to deny that the finance and mining sectors have produced substantial wealth. Rather, the golden goose analogy serves to promote the notion that minimal government regulation actually spreads that wealth throughout society, obscuring the creation of inequalities (both local and global) upon which economic growth may actually rely. One only has to think of the economic stagnation in areas of northern England and Scotland and the continuing poverty of some indigenous Australians to be reminded of the losers in periods of rapid growth.

The second key argument deployed by mining tax opponents is that mining fosters an entrepreneurial spirit that is entirely independent of government involvement in the economy. *West Australian* newspaper columnist Paul Murray, for example, recently made the extraordinarily simplistic assertion that ‘mining has always met its own risk – and provided its own infrastructure. It doesn’t want, or need, the Government as a “silent partner” in its business’.

The notion that mining has thrived when government has left the industry to its own devices simply flies in the face of history. As academic (and now Vice-Chancellor of Victoria University) Elizabeth Harman noted in the early 1980s, a paradigm has reigned in Western Australia where state and capital have worked together to ensure that the need for development is prioritised over other interests. Premier Charles Court was particularly pro-active in attracting mining investors to the state.

A more recent analysis of WA economy by Peter McMahon of Murdoch University reveals that, while private enterprise has played a vital role in the state’s history, it has not done so as a solo operator. McMahon notes that ‘successive governments...were absolutely critical in developing W.A.’ Recently the Barnett Government committed \$3.5 million for the development of plans to

build a new port in the Pilbara and boasted that the Government's decision to construct new power lines had ensured that a large resource project went ahead. Just as the finance industry was lured to London by conscious government regulatory and tax changes, so, too, the Western Australian mining industry is aided and abetted by the state.

The 'golden goose' and 'entrepreneurial spirit' arguments outlined above follow from a specific aspect of free market thought – the notion that commercial enterprise guided only by a minimal state sees wealth 'trickle down' to almost all in society. Ideas like these have not emerged in a vacuum. David Harvey in his *Brief History of Neo-liberalism* explains how such free market notions have become dominant since the Western economic crises of the 1970s. They were championed by leaders such as Ronald Reagan and Margaret Thatcher as part of a conscious political strategy. The continuing reality of inequality reminds us that, rather than being grounded in common sense, free market ideas are a product of a historically specific context that leaves them open to revision and debate. Voters in Western Australia and beyond should look carefully at the rhetoric used by anti-mining tax campaigners. It says much about how the political and economic logic of the present is grounded in myth-making about the past.

© APH Network and contributors 2010. All rights reserved.

Citation: Andrew Thackrah, *Mining, Myths and making it up in Western Australia*. Australian Policy and History. August 2010.

URL: <http://www.aph.org.au/files/articles/miningMyths.htm>