Digging into the resource curse

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The life stories of four mining magnates illuminate where Australia’s economy is headed, writes Michael Gilding. The political and social effects could be profound.

Miner or middleman? Clive Palmer MP. William West/AFP

“YOU’RE a fucking deadbeat. People like me don’t bother with fucking you. You climb out of bed each morning for your pathetic hundred grand a year – good luck.”

These are the words of Nathan Tinkler, directed at Sydney Morning Herald journalist Tom Reilly. Reilly was investigating the story behind Tinkler’s racehorse operations; Tinkler was unhappy with the scrutiny.

There’s the rub. Great wealth brings great power, but not omnipotence. It provides powerful protection from scrutiny, but is also a powerful magnet for scrutiny. Tinkler’s words betray the sense of entitlement that comes with great wealth. They are brutally dismissive, oozing contempt for ordinary people on ordinary incomes. “Good luck” is the withering promise of retribution for the temerity of asking questions.

Yet Tinkler’s words also betray the limits of his power. His frustration boils over. His great wealth can’t prevent Reilly’s probing, or the wider scrutiny that will follow. His words are an expression of weakness.

These four books are all about great wealth. They are about the great fortunes that have been created in the wake of the mining boom and are transforming Australia’s political economy and civil society. This is more than a changing of the guard among the wealthiest: in 1993 the British development economist Richard Auty coined the term “resource curse” to describe the long-observed paradox that countries rich in non-renewable natural resources are more prone to government mismanagement, corrupt institutions and weak economic growth.

The authors are all journalists for the quality media in Australia. They share a history of working across the Australian Financial Review, the Australian, the Sydney Morning Herald and the Age. Their books are extensions of their everyday practice – profiles and stories fashioned into biographies.

Three of the biographies are unauthorised. Gina Rinehart, Andrew Forrest and Nathan Tinkler refused to cooperate, and did what they could to frustrate their biographers. Rinehart and Tinkler went further, pursuing their biographers through the courts. Although they were unable to prevent scrutiny, they gave it their best shot.

Alone of the four, Clive Palmer – who has made an art of using journalists to his own ends – was cooperative. His biographer describes how his interviews were “sometimes quite exasperating,” how Palmer “went from being bombastic to quite obviously bored, giving either colourful speeches or vague recollections.” He also notes that Palmer is “highly litigious, and keeps his friends and family close.”

In these circumstances, each of the biographers depends heavily on the public record. In particular, they could not have written their books without the profiles and stories written by other journalists over many years, which provided their scaffolding. Yet in each case the biographers have found plenty of people who recount close encounters with these mining magnates, sometimes under condition of anonymity, sometimes not. Their stories are often revealing, and sometimes fascinating.
More than this, though, the biographies provide clues about the kind of society we are becoming, and the risk of the resource curse afflicting Australia.

GINA RINEHART differs from the other mining magnates insofar as she inherited her fortune. Her father, Lang Hancock, made a fortune after he discovered iron ore deposits in the Pilbara ranges in outback Western Australia and negotiated a handsome royalty with the corporate mining giant Rio Tinto.

Technically, Hancock’s estate was bankrupt when his daughter inherited it. But she also inherited his lucrative royalty stream and mining tenements.

Rinehart has a “born to rule” mindset that arises from her inherited wealth. Yet she is no ordinary heiress. Rather than choosing a life of leisure, she pursues her father’s dream of building a great Australian mining house. She also energetically pursues her father’s far-right political agenda. Like Margaret Thatcher, she profoundly identifies with her father. She challenges every stereotype of conventional femininity, but does nothing to advance the cause of women.

A massive hike in the iron ore price catapulted Rinehart from super rich to mega rich. In 2012 – when Adele Ferguson’s book was published – she was the richest woman in the world and the richest Australian. The BRW Rich List calculated her wealth at almost $30 billion. According to the most recent rich list, she is still the richest Australian, but the falling iron ore price means that she is now worth a mere $22 billion.

Rinehart speaks of the “House of Hancock,” which has an appropriately medieval ring to it. Like many of the great medieval houses, this house is at war with itself, and the war keeps spilling out into the public domain. In the 1980s Rinehart and her father battled it out through the courts and the media. In the 1990s Rinehart slugged it out with her father’s second wife Rose Porteous. In the 2000s she went to war with her children over the administration of the family trust.

As a result, not only is there no shortage of material about Gina Rinehart on the public record, but there are also plenty of people keen to describe their close encounters. Ferguson makes the most of all this material, and her book is full of rich and often shocking detail. Rinehart comes across as somebody who will do anything to get her way. She will not take no for an answer.

As Rinehart’s wealth grows, Ferguson observes, so does her taste for power. She is a fierce advocate of laissez-faire capitalism. She is reflexively hostile to any form of government intervention. She believes that mining is the future for Australia. She regards climate change as a left-wing conspiracy. And she wants the top end of Australia to become a special economic zone where mining is allowed to prosper free from government interference.

Rinehart is putting her money where her mouth is. She is now a major shareholder in the Ten Network and Fairfax Media. She is also vigorously pursuing her interests through her political connections. "Australia has never seen a combination of money and political will so intertwined as it is in Gina," writes Ferguson. "And it is just the beginning."

Yet Rinehart’s political will is so uncompromising that it may be self-defeating. As Ferguson declares at the end of her book, nothing will stand in the way of the House of Hancock. “Nothing. Not even her children.”

ANDREW “TWIGGY” FORREST has a more distinguished lineage than Rinehart’s. His great-great uncle was Sir John Forrest, Western Australia’s first premier and most celebrated pioneer. Yet Forrest’s forebears didn’t provide the foundation of his fortune.

Forrest is the exemplary self-made entrepreneur. He is a risk-taker who thinks outside the square. He is irrepressible, undeterred by failure or refusal. He is hyper-persuasive, able to harness other people to his vision – from the people who provide his finance to the people who work for him. He will do whatever it takes to achieve his ends.

Forrest grew up on a remote pastoral station in the Pilbara. Andrew Burrell provides hints of how he formed his entrepreneurial personality. His father was a "strict parent and a strong-willed man." Young Forrest suffered a debilitating stutter that meant he was bullied at school and learned how to stand up for himself.
Yet Burrell, writing without the cooperation of Forrest or his family, struggles to capture his subject’s family environment and early emotional landscape. In Rinehart’s case, the lack of access doesn’t matter because she grew up in the public spotlight; in Forrest’s case, it does matter.

But Burrell hits his straps when Forrest gets his first job. From this point on he tells a ripping yarn of fast deals, fast politics and fast money.

During the 1980s Forrest became part of a Perth stockbroking set with a reputation for being “aggressive and cavalier.” One of his stockbroking associates recalled that “he wasn’t the best broker I’d ever seen but he was out there, he was in your face.”

During the 1990s Forrest persuaded investors to part with $US1 billion for a nickel mining project that failed spectacularly. The executive who fixed the mess reflects that the project would never have happened without Forrest. “But basically he was an entrepreneur, and I think fundamentally he didn’t understand the technology. I think his lack of experience in the end told. But boy, was he an entrepreneur!”

In the 2000s Forrest bounced back and challenged the BHP–Rio iron ore duopoly through Fortescue Metals Group, which he chaired from 2003. There was a moment when Forrest and Rinehart might have joined forces – the unstoppable force teaming up with the unmovable object, so to speak. Forrest approached Rinehart to combine against BHP and Rio, but she rejected the overture. That’s the difference between entrepreneurship and inherited wealth.

Thereafter Forrest cuts one corner after another to obtain state government support, advance contracts from Chinese steel mills, billions in offshore finance, and support from native title holders. He repeatedly ends up in court, where his reliability as a witness is repeatedly questioned. Yet he has an unyielding belief in the righteousness of his cause. In 2008 he makes his first iron ore shipment to China, and the BHP–Rio duopoly becomes history.

Forrest debuted on the BRW Rich List in 2005 at $340 million. In 2007 he was the richest person in Australia, valued at $3.89 billion. In 2008 he was valued at $9.41 billion, having “made the fastest and most spectacular fortune in Australian history.”

He stepped down as CEO of Fortescue in 2011, and last year pledged to divest himself of most of his fortune. So far he has given away almost $300 million. He has now taken up the cause to end global slavery. Burrell concludes that Forrest “continues to dream of conquests on a grand scale,” and “has plenty more adventures ahead.”

CLIVE PALMER – unlike the other magnates in this review – didn’t make his money in mining. He made his first fortune in Gold Coast real estate. Many miners think that he is still more a real estate dealer than one of them.

Sean Parnell’s rich account of Palmer’s family background highlights the advantages of writing a biography with the cooperation of the subject. Palmer’s father George, the son of a Melbourne stove-maker, produced, directed and starred in his own silent commercial movie, *The Mail Robber*, at the tender age of fourteen. Then he made another movie, tried his luck in Hollywood, became Melbourne radio station 3AK’s first manager, technician and announcer, set up a bus company, formed a travel agency, invented and manufactured his own bandage-strap for the relief of hernias, and sold and distributed tents that could be attached to the side of cars.

Palmer is a chip off the old block. He made his money in real estate, formed a technology firm designed to commercialise the inventions of Australian public research organisations, speculated in iron ore and coal tenements, onsold iron ore development rights to a Chinese state-owned investment group, and bought a nickel refinery, tourist resort and soccer team.

His latest much-publicised venture is to build a replica of the *Titanic*. He has apparently signed a memorandum of understanding with a Chinese shipyard, but not a contract. Yet Palmer is not really a builder. He is more the classic “middleman,” who buys cheap and sells dear.
Palmer made his debut as a billionaire on the BRW Rich List in 2007, but complained that his wealth had been understated. In 2011 BRW placed him fifth on its list, valued at $3.42 billion. Forbes, on the other hand, estimated that he was worth $560 million, which Palmer disputed. The bottom line is that an accurate estimate of Palmer’s wealth is impossible because it is entirely held in private companies. Palmer fills the information vacuum with media performance.

Parnell struggles not to become part of that performance. Palmer doesn’t give away anything he doesn’t want to give away. Parnell casts no new light on his fortune, and is baffled by the line between fact and fantasy in Palmer’s reminiscences.

He has less difficulty in tracking Palmer’s political career, which is on the public record. Palmer has a long history in conservative politics, predating the millions he earned in real estate. His political education occurred during the Bjelke-Petersen years, and he still channels the colourful state premier.

Like Bjelke-Petersen, Palmer makes no attempt to be consistent in his views. He simply talks, in his own inimitable style. He often seems a buffoon, but he also comes across as frank and disarming – an “anti-politician,” so to speak. The media love him, precisely because he is so outlandish. I must admit that I enjoy watching him too. As Peter Beattie cautiously observes, “I think people would make a mistake if they underestimated him. He is actually quite tactical and quite clever.”

Palmer fell out with the Queensland Liberal National government when several big infrastructure decisions went against him. One of those decisions favoured Gina Rinehart. That’s the problem for governments that want to keep mining magnates sweet; what satisfies one often wounds another.

Now Palmer could control the balance of power in the Australian Senate. He is already the beneficiary of federal government environmental approval for his Galilee Basin coal project. His foray into federal politics is paying dividends.

Parnell brings his biography to its conclusion with Palmer speculating about sailing “off into the sunset” on the first voyage of Titanic II, or perhaps developing a supersonic jet business in partnership with the Russian government. It seems delusional. More likely, it’s a false trail.

UNLIKE Rinehart, Forrest and Palmer, Nathan Tinkler has made a fortune and lost it. He debuted on the BRW Rich List in 2008 at the age of thirty-two with $426 million; he peaked in 2011 at the age of thirty-five with $1.1 billion; and in 2013, at the age of thirty-seven, he didn’t even meet the $18 million entry level of the BRW Young Rich List. “In the thirty-year history of the list,” Paddy Manning writes, “no one had ever risen so far so fast, and then, equally surprisingly, fallen just as quickly. He was our youngest billionaire, and our briefest.”

But it is difficult to feel sympathy for Tinkler. Manning presents a picture of someone who is aggressive, unscrupulous, shameless and uncouth. He texts one former employee: “Ur just another c—t … I check the papers for your funeral notice you fuckn deadbeat.”

Whereas social scientists understand human beings as social animals whose behaviour is heavily moderated by their relationships, economists employ the model of homo economicus, self-interested individuals who maximise their “utility” irrespective of their relationships. Manning appears to have discovered homo economicus, and his name is Nathan Tinkler.

Tinkler grew up in northern New South Wales, close to the coal fields. At one stage his father owned an earthmoving business that went bust, and the family ended up in a caravan. But Manning’s account of Tinkler’s formative years is thin. It’s the old problem of an unauthorised biographer failing to win the cooperation of family and friends.

The first half of the book tells how Tinkler bought an undervalued coal tenement (Middlemount) for a song and made almost half a billion dollars, which he then lost on a spending bender. The second half describes how he bought another undervalued coal tenement (Maules Creek) for a song and made another half a billion dollars, which he then promptly lost on another spending bender.
Lightning doesn’t usually strike in the same place twice. Tinkler can show exquisite timing in his buying and selling. He can also identify undervalued coal tenements, and assemble the finance capital required to develop them. But things can also go badly wrong.

The story here is classic finance journalism, showing how deals are cobbled together with local investors, international traders and Asian industrial capital. The detail is fascinating, but heavy-going. I still struggle to grasp how Tinkler is able to negotiate these deals. He seems to be able to “make himself nice” when he has to, and then depends on a mix of bluff and bullying.

Tinkler proves that “no amount of money is so large that it can’t be blown.” Here, the story is classic tabloid journalism: flashy mansions, cars and planes; reckless investment in racehorses, a soccer team and a rugby league team; and brazen contempt for his creditors. It’s a thoroughly entertaining and appalling tale.

Tinkler’s current whereabouts are unclear. He might be in Singapore or New York. His wife has apparently decamped to Hawaii with the four children and the family trust fund. Tinkler still owns his football clubs and still flies first class. As one Muswellbrook mineworker says to Manning, “I’d like to be as broke as he is.”

AS THESE biographies show, there are many ways to be a mining magnate. Rinehart is an heiress, Forrest an entrepreneur, Palmer a middleman and Tinkler a speculator. In fact, they are not so much miners as financiers. Above all, they assemble finance capital to take their resources – leased from the Australian government – out of the ground and into the ships that carry them to the industrial centres of Asia.

In doing so, the magnates prise open established corporate formations – notably, the BHP–Rio iron ore duopoly. Because domestic investors are too cautious to underwrite their efforts, they are spruikers on an international circuit. In particular, their efforts are underwritten by Asian industrial capital, which has powerful cause to create more competitive resource markets.

The upshot is a strange paradox. On the one hand, the magnates are among the richest and most powerful individuals in Australia. On the other, they see themselves as “outsiders,” challenging entrenched and established interests.

The disgraced one-time politician and lobbyist Brian Burke captures the dynamic neatly in relation to Forrest, who employed him at one stage to lobby the WA government. “BHP did everything they could to stop him; they brought every bit of their firepower to bear. They basically created him. If they had gone easy on him, he wouldn’t have fought back so hard.”

These biographies also show that magnates do politics in many different ways. Rinehart is a hardline ideological warrior, Forrest a pragmatist, Palmer a politician. Tinkler doesn’t give a toss.

Yet mining is a deeply political industry – hence “the resource curse.” The magnates engage with governments routinely, in order to obtain all manner of approvals – from infrastructure, to environmental protection, to native title. They become close to politicians, fund their parties, employ lobbyists and acquire media outlets.

The biographies achieve synchronicity around Labor’s Resources Super Profits Tax. Rinehart, Forrest, Palmer and Tinkler all campaigned against it, and the Gillard government was done like a dinner. Forrest was especially effective, demonstrating that his entrepreneurial skills extend to politics.

Ferguson reflects that Rinehart represents a unique combination of “money and political will intertwined” in Australia, but the story is bigger than this. The mining ascendancy presages an intensified intertwining of money and politics generally. The resource curse is upon us.