*"It gets more damaging for an economy when it means people stop doing things ... when it damages the integrity of your tourism industry and some of your educational services are no longer competitive."*

Brian McNamee (on the impact of a stronger Australian dollar), CSL AGM, 13 October 2010

The rampant Australian dollar has been a boon for Australians travelling overseas, the numbers of which are reportedly at record highs. However the dollar's strength has been a mixed blessing for the local economy. With high commodity prices resource businesses are reaping windfalls selling commodities (principally iron ore and coal) to China irrespective of the level of the dollar. (That these commodities are the principal ingredients for making steel and that China is at a stage in its industrialisation where it is likely to demand less steel but more sophisticated commodities may not auger well for this dynamic over the long term.) But other export businesses that are not experiencing the extraordinary tailwinds of the resources sector are struggling, finding it difficult to compete with their (cheaper) global peers. They also have to compete with the cashed up resource sector for labour. This phenomenon has been dubbed the "Dutch disease" after the decline of the Netherlands' manufacturing sector after the discovery of natural gas in the late 1950s.

Norway, which also struck a resources bonanza in the 1960s in the form of North Sea oil, approached this problem in an interesting way. It imposed an additional 50% tax on oil producers on top of the existing 28% company tax rate. This had the immediate effect of dampening demand from the Norwegian resource sector to the benefit of the rest of the economy. The proceeds of these taxes were not spent on government spending (this, after all, would have further stimulated the Norwegian economy) but directed to the Norwegian Sovereign Wealth Fund which is now valued at over US$500 billion and is said to own 1% of global equity markets. It is invested, according to ethical criteria, in 8,000 companies globally and the Norwegian government can access up to 4% of the fund annually delivering intergenerational benefits from the temporary resources boom. It makes the proposed RSPT and its successor, the MRRT, seem positively timid in comparison.

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