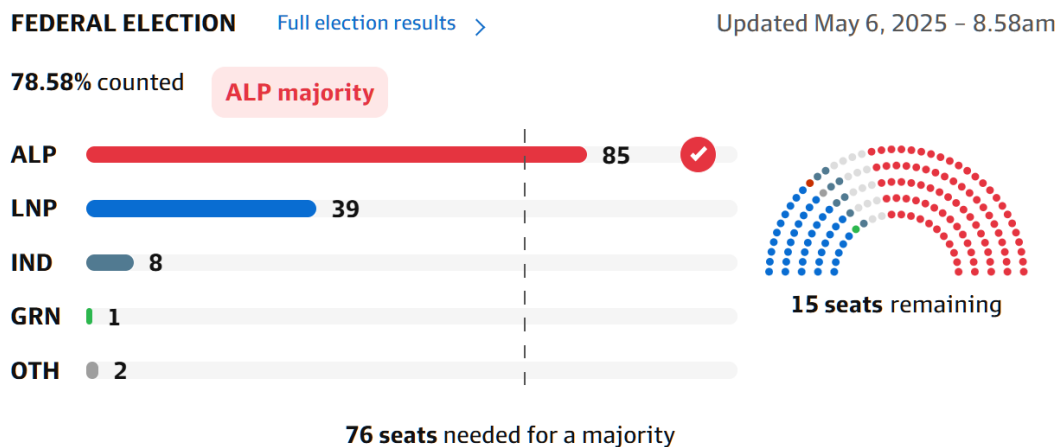


Labor should use its second victory as a platform for ambitious reform

Article originally published on the [Australian Financial Review](#) on 5th May 2025.



Prime Minister Anthony Albanese, his Government and the Labor Party which he leads secured an emphatic and historic mandate at Saturday's election. Labor's [54.9% share of the two-party-preferred vote](#) (as of late Sunday afternoon) is the highest since Malcolm Fraser's 55.7% in 1975, and has been exceeded on only three other occasions in the last 100 years.

But a mandate for what? Yes, for more spending on Medicare and a range of other health measures, for helping people to purchase homes with deposits of as little as 5%, for reducing student debt, for fee-free TAFE, for incentives for the installation of domestic solar batteries, for cheaper child care and for a two-year freeze on beer excise.

All worthy enough – but hardly a comprehensive response to the challenges which Australia is confronting, now and over the next decade.

The [menu of policy offerings](#) which Labor took to last Saturday's election was as narrow as [that which it took to the previous election](#) on 21st May 2022. The lack of ambition in the 2022 Labor platform was understandable in view of the clear lesson of Australian political history (re-inforced for Labor by the outcome of the 2019 election) that oppositions cannot win government on platforms of ambitious reform, because the incumbent government will use all the vastly superior resources at its disposal to scare the living daylights out of voters as to what might happen if by chance that opposition actually did win office.

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY

Page | 2

The similar lack of ambition in Labor's 2025 election platform is understandable only from the standpoint of recognizing that, unlike every first-term government since Malcolm Fraser's, the Albanese Government did not come to office in a landslide, but rather with the thinnest majority of any first-term government since John Curtin's in 1941, and hence did not have any capacity to absorb any sort of swing against it which every other first-term government seeking a second term since 1931 has been able to do.

But now that Labor has achieved a swing *towards* it – for the first time in Australia's history – it should, ideally, act like a first-term government which is (quietly) confident of securing a second term.

That is, it *should* do what it promised to do – and do it competently (as, for the most part, the Albanese Government did in its first term). And it *shouldn't* do things which it promised it *wouldn't* do (otherwise, it may not get another term).

But what it should *also* do during its second term is use its greatly enhanced authority to prosecute the case for the kind of reforms that will be required if Australia is successfully to meet the many challenges which lie ahead of it – indeed which have lain ahead of it for many years, but which have thus far gone unaddressed.

Those challenges include budget deficits and rising debt for at least another decade; an increasingly inefficient and inequitable tax system, and one which is increasingly incapable of generating the revenue required to pay for the spending which the public clearly expects; a dysfunctional system of federal-state financial relations; a housing system which is unable to meet the aspirations or needs of a rapidly-rising proportion of the Australian population; the declining performance of our education system; an abysmal productivity performance, both in the recent past and in prospect; on-going falls in Australia's terms of trade and hence in the windfall national income and tax revenue gains which have flowed from previously elevated global prices for our commodity exports; the on-going, and thanks to Donald Trump, an accelerating fragmentation of the international trading system which has been so crucial to Australia's prosperity; and an array of challenges to our national security arising both from China's increasing geo-political ambitions and our obvious inability, now and for the foreseeable future, to rely on the United States as a trusted defence and security partner.

Meeting those challenges will require the government to stop doing some things which it has said it will do (such as to underwrite ongoing increases in house prices); to do some things which it has said it won't do (including a range of reforms to Australia's tax system);

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY

Page | 3

and to do some things which it hasn't (yet) said it will do, but for which in a democratic political system such as Australia's an electoral mandate is essential in order to provide the political legitimacy needed to be able to enact the required legislative changes (which include tax reform – again – as well as reforms to Australia's federal system, and a raft of potential productivity-enhancing reforms).

The Government won't get a mandate for any of those kinds of reforms unless it starts articulating the case for them – as Bob Hawke, Paul Keating, John Howard, and Peter Costello did at the height of their political powers, where Anthony Albanese and Jim Chalmers now are.

That calls for the same discipline and focus that Anthony Albanese and his senior Ministers demonstrated during the now-concluded election campaign – but over a much longer period, and without the 'perfect foil' that the Opposition provided during the election campaign – as well as a much greater willingness to tell the Australian people things that they don't necessarily (at first) want to hear.

As a result of their weekend triumph, the Prime Minister, the Treasurer and their colleagues have the opportunity – if they are willing to seize it – to cement a place not only among their own party's pantheon of heroes, but as a government which has achieved great things for Australia in the face of great challenges.

Saul Eslake
Corinna Economic Advisory

