Charter of honesty is only half the test

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In the old days leaders promised big during election campaigns ("By 1990 no Australian child will be living in poverty") and cut back their spending afterwards. These days political leaders promise poor during the campaign ("above all else it will be very lean") and the spendathon comes after it.

Kevin Rudd got the loudest applause during his 2007 election launch when he declared: "The spending has got to stop". It didn't stop for long. After the 2008 budget his government embarked on the largest spending increase since Gough Whitlam in 1975 – $100 billion of new discretionary measures, money which is still rolling out.

Julia Gillard is promising poor now because she has a huge cash splash – the $14.7 billion for school halls and canteens – already in the system. Around 35 per cent of that will be spent this year.

We are still spending to "stimulate" an economy in the grip of a record mining boom, and which has had six consecutive interest rate rises.

But never fear, says Labor, the budget will balance by 2013. Just like the surplus promised in 2008? We've accumulated around $125 billion in deficits since then. This administration has never balanced a budget. They should try one before boasting about how good things will get in the future.

Regardless of whether the financial outcomes will ever match the promises (and recent experience leads us to be cynical) it is good to see the parties trying to sound responsible. We are not as bad as in the US where politicians make extravagant promises about spending money they don't have. In Australia our MPs are a bit more cautious. They have reason to be.

One of the little known reforms of the previous government was the Charter of Budget Honesty. It has a profound impact on how we conduct elections. This law requires a "Pre-Election Economic and Fiscal Outlook" to be produced independently at the start of an election campaign and provides for independent costing of political promises.

Once you know the starting point and the journey, you can estimate where a party's promises will end up. As long as they keep to the journey.

When the charter was legislated, Labor opposed it. In opposition they promised they would amend it (but haven't) and now Labor has adopted it. In her first major speech on the economy as Prime Minister, Julia Gillard declared "all our policies will be submitted to Treasury and Finance for independent costing under the Charter of Budget Honesty – and I challenge Mr Abbott to do the same". (Labor didn't submit all its policies for costing last time round, so it is good to see a change of heart.)

The charter was instrumental in forcing the government to tell the truth over the backflip on the "super profits" tax. When she announced it, Gillard claimed it would reduce revenue by $1.5 billion or 12.5 per cent. It was supposed to look like a minor cost. The companies and analysts knew it was much more than that. Gillard knew, or should have known, the statement was false. Treasury knew it, and the Treasurer should never have allowed her to say it.

But the issue would have rested as a misleading claim to cover an embarrassing backdown were we not going into an election. The government knew the pre-election outlook would show the real lost revenue of $7.5 billion or 63 per cent.

So Swan cobbled together an economic statement to fess up to the truth. He knew it was better to come clean than be caught out during an election campaign. Chalk up a success to the charter. Parties face better scrutiny on the cost of their promises, and that forces them to be more careful about making them. The charter is an incentive to compete for respectability.

The weakness is that whatever it says before an election, a party is not bound to deliver it. There is no law to stop a government trashing its costed promises. The only sanction is the power of the ballot box. So we have good tools to assess promises. but only blunt instruments to enforce them. To hold a government accountable voters have to compare the rhetoric to the outcome and register their judgment at a subsequent poll.

Memories are short, which is why politicians talk about "moving forward". They don't want to be judged by their record. They want the chance to do it all again.

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