ANDREW MARR:
Humiliation was the general verdict among the press after MPs rejected the Prime Minister’s arguments for military action over Syria. Now President Obama is following suit with Congress, perhaps allowing people to think that being outmanoeuvred looks like an act of statesmanship. The defeat brought an abrupt end to a relaxing summer for David Cameron, during which his relationship with his own party had seemed to improve as the economy showed signs of recovery and Labour’s lead in the opinion polls narrowed. Mr Cameron’s closest ally, the Chancellor George Osborne, is with me now. And we’re going to be talking about the economy later, but we must start with Syria. Mr Osborne, this was just complete incompetence in the House of Commons, wasn’t it - rushing back, recalling the House of Commons, not doing whipping properly, not having checked how your own MPs were feeling? It was an extraordinary failure of political tactics. I mean you blame Labour, but in effect it was your own fault.

GEORGE OSBORNE:
I think this was democracy. I mean this is the Prime Minister doing what no previous prime minister had done, which is actively seeking the involvement and the consent of the British Parliament in a very difficult set of issues and then respecting …

ANDREW MARR:
(over) And losing.

GEORGE OSBORNE:
… and respecting the verdict of Parliament.

ANDREW MARR:
Yes.

GEORGE OSBORNE:
I mean you know obviously there’s this tension between wanting to do what we wanted to do, which was send a very clear signal that chemical weapons were a completely unacceptable form of warfare, that they’d been banned for almost a hundred years, that they’re a taboo in international warfare that we want to maintain, and at the same time being democrats who want to listen to the understandable scepticism of MPs about further foreign entanglement.

ANDREW MARR:
(over) But this was self-inflicted. This was entirely self-inflicted. You rushed the Commons back. Had you had the UN information, had you had the evidence the Americans have now published, it might have been very different. You rushed in and lost.

GEORGE OSBORNE:
Look, I don’t agree, and I don’t agree that a bit more evidence would have persuaded those MPs who didn’t support us. I mean first of all the Labour Party would have voted against regardless because they played this in a quite opportunistic way. Our own colleagues - and let’s be clear …

ANDREW MARR:
(over) Well they’re opposition. They are the opposition, so that’s their kind of job.
GEORGE OSBORNE:
Well I think Ed Miliband looks a bit less like a prime minister even than he did a few
weeks ago. But that’s not the point. The point is of course there were Conservative
and Liberal Democrat MPs who didn’t support us …

ANDREW MARR:
Yes exactly.

GEORGE OSBORNE:
… and they were sceptical of another foreign entanglement. You know I understand
their argument. I don’t agree with it, and I don’t think frankly more evidence or
another week or you know more UN reports would have convinced them.

ANDREW MARR:
One of the commentators was saying you never, ever recall Parliament and you never
go into a vote on a matter as serious as this without doing the numbers. And it looks
to a lot of people like you just didn’t do the numbers; you were surprised by the
number of opposition votes on your own side.

GEORGE OSBORNE:
Well actually it was pretty clear that there was a lot of scepticism and I spoke to a lot
of members of parliament. And I understand …

ANDREW MARR:
*(over)* It was a bit crazy to do this, wasn’t it?

GEORGE OSBORNE:
No. Look involving your Parliament, trying to get the consent of both your Parliament
and the public for a very difficult decision - in this case to deter the use of chemical
weapons but taken in the shadow of Iraq and a public war weariness - I think shows
… it shows a confidence that you’re prepared to make your argument. And, look, if
you don’t win your argument, so be it.
ANDREW MARR:
(over) You lose, yeah.

GEORGE OSBORNE:
But I don’t think the country’s going to think less of this government or less of David Cameron because he has the confidence to make a principled argument to his Parliament.

ANDREW MARR:
But we’re now in the situation - same question really I put to Douglas Alexander - if next week there is another chemical attack or something worse happens, do you come back? Do you have the confidence to come back to Parliament and say yes we did get it, but the facts have changed; we want to go back in again?

GEORGE OSBORNE:
Well, look, I think Parliament has spoken.

ANDREW MARR:
So that’s it?

GEORGE OSBORNE:
Well the MPs I spoke to … As I say, I think the Labour Party have always played this opportunistically. The Conservative MPs and the Liberal Democrats who couldn’t support us, you know they have a deep scepticism about military involvement and I don’t think another UN report or whatever would make the difference. Of course I wanted us to be part of a potential military response.

ANDREW MARR:
Yes.

GEORGE OSBORNE:
Now that is just not going to be open to us now because the House of Commons …
Do you think this is a historic moment in Britain’s kind of role in the world - that you know for a long time we were always on the front foot, if anything ahead of America in intervening into wars where there were civilian populations under great threat? We prided ourselves being first in. Now we’re not going to be in at all …

GEORGE OSBORNE:
Well I think those …

ANDREW MARR:
… and that’s the legacy of Iraq?

GEORGE OSBORNE:
Well I hope it isn’t a great historical moment. I hope that people like myself and many others who want Britain to be an outward looking, open nation that’s confident about trying to shape the world around it are going to go out there and win this argument. I mean clearly this argument is up for grabs at the moment. But I think we should be self-confident about, as a nation, wanting to shape the world around us. And, after all, we have a diplomatic footprint, a military budget, a national debate that implies we do want to play a role in the world, and I think it would be very sad if we turned our back on the world and I’m absolutely determined that we don’t.

ANDREW MARR:
And those ministers who didn’t vote because they couldn’t hear a bell, are they going to be disciplined?

GEORGE OSBORNE:
Well I think all of that, frankly, is a bit of a red herring, you know. Actually, first of all, the government whips did persuade quite a lot of MPs who were sceptical to vote with us. And from all the conversations I had - and I had lots of conversations with Conservative MPs that day - you know what was clear is there’s a lot of scepticism out there. So it’s not about the whipping or particular division about …

ANDREW MARR:
(over) So you don’t …
GEORGE OSBORNE:
(over) It’s about trying to win an argument in the country, in our Parliament, and trying to do this in a way frankly different from how it was done ten years ago in the Iraq War. Not trying to make a fetish of division, not trying to celebrate pulling people apart, but actually trying to achieve a consensus and trying to draw people together, and that is what David Cameron wants to do, that’s what the whole government wants to do.

ANDREW MARR:
But you’re now left in a position where Britain stands on the sidelines. What do you think is the outcome for Syria? Are we on the edge of a full civil war? What happens to Israel now? I mean this is a terribly dangerous period, isn’t it?

GEORGE OSBORNE:
Well, look, we are frankly in a full civil war in Syria. It’s an absolute tragedy and you know …

ANDREW MARR:
Egypt’s on the edge of meltdown. I mean from your economic side, you must …

GEORGE OSBORNE:
Well it’s an incredibly difficult position not just economically but it’s a humanitarian disaster.

ANDREW MARR:
(over) And so perhaps the majority of the public who think actually better not to be involved this time are right? Perhaps that commonsense British view has won through this time?

GEORGE OSBORNE:
Well I just think the world is better when Britain steps up and tries to shape the world and tries to make sure that its values, our values - openness and tolerance of democracy - are values that are heard around the world. Now that’s my personal view,
but there’s no doubt you know it is a very, very difficult situation in the Middle East and it’s an absolutely tragic situation in Syria. And let’s remember what is this all about? This is not about trying to … We weren’t arguing that we wanted to change the regime in Damascus, although we do. We were arguing about making it clear that the use of chemical weapons was a taboo that should be …

ANDREW MARR:

(over) Well that was part of the problem - people weren’t clear whether it was ...

GEORGE OSBORNE:

(over) …upheld. Well look people … It’s not just a debate for Parliament. It’s a debate for the country. And when they watch their TV screens and they see the excellent reporting by very, very brave journalists in Syria about what is going on there, you know we can as a nation take a view are we either going to be completely indifferent to that and say it’s nothing to do with us or are we going to say you know what, we care about our world and we’re going to shape it? Now we can’t take military action because Parliament has spoken and the public are sceptical, but there are lots of other ways at the moment we can try and shape the debate.

ANDREW MARR:

Do you think that President Obama’s decision to go back to Congress in a sense has given you some political cover for the embarrassments of the last week?

GEORGE OSBORNE:

Well, as I say, I’m not particularly embarrassed and I’m not looking for political cover. What I’m looking is for an outcome that’s going to stop the use of chemical weapons. And I think you know what Barack Obama has done is consistent with our set of decisions, which is you’ve got to take the country with us. And you know Barack Obama is also a sort of post-Iraq politician, if you like, and he’s living with the legacy in his own country of the way decisions were taken ten years ago in America. We live with the legacy of the way decisions were taken ten years ago. And David Cameron and Barack Obama are leaders who are trying to learn from that experience and trying to take people with them.
ANDREW MARR:
So to those Tory MPs who say the trouble is they don’t listen to us - they meaning people like yourself and David Cameron - they need to think again about how they deal with the party in the country, the country in Parliament, and indeed the public opinion, there’s nothing that’s true about that?

GEORGE OSBORNE:
Well, first of all, I think actually many Conservative MPs who I spoke to on this particular issue did see it as a very, very specific issue - an issue you know where they felt very strongly. Obviously I feel strongly as well.

ANDREW MARR:
Indeed.

GEORGE OSBORNE:
But actually the Conservative Party as a whole, including those MPs who couldn’t support us, are very happy with the general progress we’re making on the economy, on education, on welfare …

ANDREW MARR:
Right.

GEORGE OSBORNE:
… and what they begin to see is the steps we’ve taken over the last two and a half years are having a real effect in turning the economy around, improving the results for our kids …

ANDREW MARR:
(over) Well there is clearly, there is clearly …

GEORGE OSBORNE:
(over) … and making sure that actually we have fewer families who are out of work. So actually there’s quite a lot of …

ANDREW MARR:
(over) There is clearly good news …

GEORGE OSBORNE:
(over) … quite a lot of goodwill in the Conservative Party.

ANDREW MARR:
(over) … there is clearly good news on the economy, as you said, but let me read you something that Steve Davies of the IEA said (and he’s not alone at all) on the right of politics. He says, ‘Stimulating spending and borrowing’ - which is what you’re doing - ‘through a policy of cheap money will not lead to sustainable good growth. Instead it will lead to unsustainably bad growth of consumer spending driven by borrowing and rises in the price of assets, above all housing. At the same time keeping interest rates at 0.5% would mean more misery for savers and people on fixed incomes.’ And that’s a view taken by the Institute of Directors and by many, many others of your critics - essentially saying it feels to them, it’s a short-term asset led boom.

GEORGE OSBORNE:
I don’t agree. I think we’ve got a quite broadly based recovery. But of course it’s in its early stages and although things are looking up, we mustn’t let up. We’ve got to absolutely go on doing the things necessary to fix what went wrong in our economy and this government’s got an economic plan to do that.

ANDREW MARR:
We’ve got three more years, we’re told, of virtually zero interest rates. Are you really happy about what’s happening in the housing market at the moment?

GEORGE OSBORNE:
Well, look, in the housing market, you know outside the centre …

ANDREW MARR:
(over) It’s a bubble.

GEORGE OSBORNE:
… outside the centre of London - and frankly I think too much of the media and the political debate is focused on what happens right in the middle of London - outside
the centre of London actually there is not some housing boom or some dramatic increases in house prices. There are many, many thousands of families watching this programme who can’t begin to afford the mortgage deposits that are required to buy a home. They aspire to own their own home. That is a noble aspiration and I want to help them. Our Help to Buy scheme is helping people get their homes. And, by the way, in our whole approach to this recovery, I want to make sure we don’t go back to a situation where we’re wholly dependent on the City of London, where everything that’s happening is happening you know in the centre of London. I want the whole country to

ANDREW MARR:
(over) But in the … Yes okay, I understand that, but in the past historically, whenever the Bank of England has targeted something other than inflation - and we think of the deutschmark in the years of the Lawson boom and now it’s unemployment - inflation has shot back up again. You don’t see any problems for inflation ahead with three more years of virtually zero interest rates?

GEORGE OSBORNE:
Well, look, the Monetary Policy Committee and Mark Carney you know I think have made a very good job in explaining to people you know how they’re going to keep interest rates low while unemployment remains high, and they’ve also made it clear that if inflation gets any way out of control they will act. You know I think they’ve demonstrated that they’re doing what they need to do to support the recovery. But, look, we were all in this together going through this very difficult period. We’ve got to be all in this together as we come out of the very deep economic crisis as we recover, and I’m absolutely determined that all parts of the country, all sections of society benefit from this and we have a lasting and sustainable economic recovery and we don’t make the mistakes that got us into this mess in the first place.

ANDREW MARR:
At what point do the rising costs of HS2, the High Speed rail link, lead you to pull the plug on it because there’s rumours that the Treasury have been talking about it costing not £42 billion, which is an astonishing amount, but 90 or 70 billion pounds. Others have said the same thing and the political consensus, as over Syria, has started to
come apart.

GEORGE OSBORNE:
Well, look, the costs … You know we have set a budget for £42 billion for the construction costs. That includes, by the way, a big contingency, right? And as we demonstrated with the Olympic Games, we can deliver these big projects actually sometimes under budget. That’s why we have that contingency. But I make this point …

ANDREW MARR:
(over) If someone comes back to you and says, “Listen, I’m terribly sorry, Chancellor, it’s going to cost us 60 billion?”, do you say “No it’s not, that’s it” or at what point do you say no, enough?

GEORGE OSBORNE:
I think we’ve got a good budget, which has got a very big contingency in it. In other words, you know we …

ANDREW MARR:
(over) But it can’t cover all of that?

GEORGE OSBORNE:
You know we’ve set a budget. The Treasury has set a budget and I’ve set a budget. But I’m passionate about this project because time and again we have this debate in our country about how we’re going to bring the gap between the north and the south together, how we’re going to make sure that our growth is not just on the City of London … based on the City of London, as we’ve been talking about. You know High Speed 2 is about changing the economic geography of this country, making sure the North and the Midlands benefit from recovery as well.

ANDREW MARR:
I get all of that. It’s the question of the opportunity costs, the other things the money could be spent on. So I ask again, is there a cap of any kind on this project?
GEORGE OSBORNE:
Well we’ve set a budget of £42 billion for the construction costs with a £14 billion contingency …

ANDREW MARR:
And that’s it?

GEORGE OSBORNE:
…and I’ve got you know an excellent team -, including Lord Deighton, the man who delivered the Olympic Games - working to deliver this. But you know let …

ANDREW MARR:
I think that’s … Alright, we’re out of time on that one.

GEORGE OSBORNE:
Let’s make sure that we all are in it together as we come out of crisis and into recovery.

ANDREW MARR:
Alright, thank you very much indeed.

INTERVIEW ENDS