ANDREW MARR:
Well what a difference a year makes. When George Osborne gave his last Autumn Statement, the talk was all of a triple dip recession. Now the worry is that the recovery, driven by the housing market, could overheat. We heard Labour’s take on the economy just a moment ago and the Chancellor himself is with me now. Good morning to you, Chancellor.

GEORGE OSBORNE:
Good morning.

ANDREW MARR:
This green promise. Are we actually going to see bills come down by £50?

GEORGE OSBORNE:
Well what we’re going to do is roll back the levies that are placed by government on people’s electricity bills. This will mean that for the average bill payer, they will have £50 off those electricity and gas bills, and it will help families …
That’s a real cut, is it?

GEORGE OSBORNE:
… that will help families. And we’re doing it in the way that government can do it, which is controlling the costs that families incur because of government policies; and by the way we’re also doing it in a way that is not going to damage the environment or in any way reduce our commitment to dealing with climate change. Nor are we going to reduce our commitment to helping low income families with their costs of living and their electricity bills.

ANDREW MARR:
Sure. We’ve heard from one of the energy companies so far. Have you got a promise from the energy companies that they’re going to pass on this cut to their consumers or will they just subsume it in talk about rising international energy prices and so forth?

GEORGE OSBORNE:
Well we’ve been in discussion with the energy companies. They’ve got to make their own announcements in due course, but we’re pretty clear that they have got to pass on any reduction in the cost the Government puts on energy bills. And ultimately look I’m a believer in reducing taxes, reducing cost of government …

ANDREW MARR:
Sure.

GEORGE OSBORNE:
… and we can do that through energy bills. And, as I say, the discussion with the energy companies is of course to make sure that these are passed on to hardworking families.

ANDREW MARR:
Okay, I’m Andrew Marr Energy. I cover a large swathe of the country, of course, and I am going to be absolutely clear in my conversations with you that the £50 is a cut and it goes to all my consumers; they will see it on their bills.
GEORGE OSBORNE:
Well there’s going to be on average £50 off people’s bills for their gas and their electricity. The energy companies of course have been in discussion with us because we’re absolutely insistent that this is passed on. And we’re doing it in a way that is credible.

ANDREW MARR:
(over) I’m sorry …

GEORGE OSBORNE:
(over) This is not a con.

ANDREW MARR:
No, sure.

GEORGE OSBORNE:
We’re not pretending that we can freeze the world gas price. What we’re doing is saying what can government do? Government can step in to help and that’s what we’re doing.

ANDREW MARR:
I’m probably being obtuse, but I’m still not clear whether they have promised to pass it on to the consumer.

GEORGE OSBORNE:
Well, look, we have been in discussion with the energy companies …

ANDREW MARR:
I’m not being obtuse. They haven’t. (laughs)

GEORGE OSBORNE:
Well no, no. Look, I don’t want to pre-empt what they’re going to say in the next few days …
ANDREW MARR:
Right.

GEORGE OSBORNE:
… but I’m pretty clear with you …

ANDREW MARR:
It’s going to happen?

GEORGE OSBORNE:
… that it’s going to happen.

ANDREW MARR:
Alright. And also to be clear, what you’ve done is you’ve delayed the insulation, the so-called “eco obligation” and taken some of that off the energy companies and that’ll be done more directly by government. Is that right?

GEORGE OSBORNE:
Well what we’re going to do is say to people, look, instead of penalising people for going green as a nation by adding to electricity and gas bills, why not incentivise people? Why not give people in this case for example £1,000 when you get a new home to make your home more energy efficient? That will cut your energy bills. That’s working with the grain of human nature and I think it’s exactly the right approach to these issues. Look it’s all about actually providing people with carrots, not sticks, and I think that is the right way for this nation to go green.

ANDREW MARR:
And these are not inexpensive carrots both on the energy company side but also this new £1,000 for everybody buying a new house to change the boiler and so on. Where’s the money going to come from?

GEORGE OSBORNE:
Well the money will come from additional taxes that we will raise through dealing
with tax avoidance. Now that’s not going to be …

ANDREW MARR:
Sorry.

GEORGE OSBORNE:
… no let’s be clear that’s not your average taxpayer. We’re going to take additional tough measures, which I will spell out on Thursday, about how we make sure that people who are trying to avoid their taxes pay their taxes. By taking these additional measures, we can afford to help. The vast majority of people who do pay their taxes have expensive electricity and gas bills and, therefore, want relief from the Government.

ANDREW MARR:
Right. This expression is meant to look a mixture of surprised and weary because every politician says we’ll crack down on tax avoidance and that’s how we’ll find the money and it very rarely happens. Have you really got a clear plan?

GEORGE OSBORNE:
(over) Well I don’t accept … I don’t accept that. I mean this government has taken step after step, and the amount of tax we collect from people who were previously avoiding their taxes goes up every year by billions of pounds over this Parliament. But it requires real changes to the tax law and you know I will set those out properly to Parliament first. But again it’s about getting your priorities right. It’s part of a long-term economic plan …

ANDREW MARR:
Yes.

GEORGE OSBORNE:
… we have in this country to make sure that our tax system is fair, that we help families - as we’ve done through council tax, fuel duty and the like, lifting people out of tax through increasing the personal allowance, now delivering £50 off the average bill for people for their heating and gas and electricity. So here is the Government
doing credible, serious things that it can deliver.

ANDREW MARR:
Ed Miliband can take a little bit of the credit for that, can’t he, having changed the agenda during his Labour Party speech on this?

GEORGE OSBORNE:
Well Ed Miliband, like the rest of his other issues with his economic policy, promises what he can’t deliver. He got up and said I can control the world oil and gas price. Well I’m afraid …

ANDREW MARR:
(over) Well he said he’d freeze prices in this country is what he said.

GEORGE OSBORNE:
… I’m afraid it’s just not credible. It’s a con.

ANDREW MARR:
Okay.

GEORGE OSBORNE:
And so I think what you see from this government is a different approach. You know you just had Ed Balls on the show saying I want a surplus but I want to borrow more. It doesn’t add up. Our plans do add up. They’re credible and serious and people can see now that they are starting to work.

ANDREW MARR:
Well let me ask you, if I may, about the economy generally at this point because you have got this very, very strong growth at the moment. I think the last time I was talking to you - I’m not sure if it was to you or the Prime Minister - about the housing market and the possibility of a bubble, I got well slapped down. But it does seem that there is a worry. That’s why the Bank of England has shifted the Funding for Lending Scheme. Are you in any way concerned that there is too much of a housing price push? I mean not just in the South East. Now it’s I think 6.5 per cent house prices
have risen on average across the country in the past year.

GEORGE OSBORNE:
Well can I make this broader point and come onto house prices? You know the economic plan is working and a recovery is underway, and in the Autumn Statement I will say the job is not yet done because we’ve got to make sure we go on taking the difficult decisions to secure that recovery and we also want a responsible recovery. We want to learn from the mistakes of the past and don’t see a re-emergence of some of those problems in the financial system that brought this country to its knees. Now on housing specifically, what the Bank of England says, what I say is there is not a housing bubble at the moment, but we want to make sure one doesn’t develop. And that’s why it wasn’t just the Bank of England - it was myself and the Bank Governor working together - that stepped in this week and said look one of these schemes which has been underpinning mortgage lending in financial markets, we’re now going to focus on small business lending because they’re not only the lifeblood of the economy but they need some help.

ANDREW MARR:
(over) They’re not doing so well at the moment either.

GEORGE OSBORNE:
So I think you see us working in concert - the Bank of England, the Treasury - to make sure we don’t repeat the mistakes of the past. We monitor debt levels in the economy, we spot asset booms like housing booms before they emerge, and take action. But let’s be clear, as of today the Bank of England agree there is not a housing boom.

ANDREW MARR:
Your conference speech could be characterised as austerity is not just for Christmas, it’s for life. You want to carry on shrinking the public sector into the next Parliament for a long time to come. And if you look at the numbers, it implies a very, very tight squeeze on departmental public spending and on welfare, in particular. Are you happy that the sort of social fabric of the country is going to stay together if you embark on this course?
GEORGE OSBORNE:
Well I think actually one of the stories of the last couple of years - and I think this would continue - is a broad understanding in this country that we spent beyond our means, that our public finances got out of control. And we’ve had remarkable public support for taking some very difficult decisions and the British people have made sacrifices, but they have seen the benefits of that in a recovering economy now, in the deficit coming down. And of course people know the job is not done. There are going to have to be more difficult decisions. I’m going to have to take more difficult decisions this week because ultimately you can’t will your country’s public finances to be in better shape …

ANDREW MARR:
Sure.

GEORGE OSBORNE:
… you can’t just pretend it’s going to happen by magic. You have to actually take real decisions on welfare, on the costs of government and the like. We’ve taken those decisions.

ANDREW MARR:
Are you absolutely confident that the recovery will last until 2015?

GEORGE OSBORNE:
Well, look, I am not an economic forecaster. I gave away that power to the Office for Budget Responsibility, so they will set out the forecast on Thursday. But what I am clear about, what I’m …

ANDREW MARR:
(over) I ask because lots of people don’t think it will. And if you talk to the CBI and the IOD, they are worried still about the weak economy, weak underlying economy - weak exports, weak small business performance and so forth.

GEORGE OSBORNE:
Look, I’m the first to say yes the economy is recovering but the job is not done, and of course lots of risks remain. There are risks abroad - the Eurozone remains very weak, sadly - and there are risks at home. We want to have stronger productivity, we want to make sure that our young people get the skills they need if they’re going to compete in the global race. Above all, the biggest risk is the one you just I’m afraid heard from Ed Balls, which is I’m going to borrow more. That would be a disastrous approach for Britain at a point like this.

ANDREW MARR:
How worried are you about personal borrowing, private debt in the economy, which is now huge - very close to 100 per cent of GDP? It’s 86 I think at the moment. A tiny little tick upwards in interest rates would cause catastrophe, wouldn’t it?

GEORGE OSBORNE:
Well we now empower the Bank of England to look at overall levels of personal debt in the economy and we’ve given them the tools to take action in this. But that is, that is a brand new …

ANDREW MARR:
(over) Are you worried about this?

GEORGE OSBORNE:
… That is all part of having this responsible recovery. Not repeating the mistakes of the past, not just pumping up the bubble again, but doing the hard work, the hard graft …

ANDREW MARR:
(over) But you’re Chancellor. Are you worried …

GEORGE OSBORNE:
(over) … that Britain needs to do to earn our way in the world.

ANDREW MARR:
You’re Chancellor. Are you worried about overall debt levels in the economy at the moment?
GEORGE OSBORNE:
Well look, as I say these are assessed by the Bank of England. And again I don’t want to step in and take their job away from them. You know it’s for every individual family to make their own decision about what they can afford and what they cannot afford. Of course you know where, for example, there are genuine problems in financial markets, like you’ve got people at the moment who can afford a mortgage but can’t afford a deposit because of the problems in the banking sector, we’ve stepped in with Help to Buy. Where there are other areas where, for example, I think the consumer needs more protection, like on payday lending, we’ve set in to regulate the market better. So …

ANDREW MARR:
(over) Okay, I’m just a little surprised that you are not …

GEORGE OSBORNE:
(over) … so you know I think across the board we step in where we can help. Look overall of course debt has been a big problem for the United Kingdom …

ANDREW MARR:
(over) And still is, yes.

GEORGE OSBORNE:
… in all senses, but we’ve got to make sure we’ve got the instruments to deal with that and I think we do have those instruments now.

ANDREW MARR:
Alright. Looking ahead, clearly you need to really squeeze welfare spend to hit your own targets. You’re in a coalition. You have a huge ideological difference with the Liberal Democrats about this, don’t you?

GEORGE OSBORNE:
Well the Liberal Democrats can speak for themselves. You know what I would say is this. You know our welfare bills have got out of control and we have had to deal with
that. We have had to bring welfare costs down, we’ve had to take some incredibly
difficult decisions like hacking …

ANDREW MARR:
(over) What are the next targets can I ask on welfare?

GEORGE OSBORNE:
Well, look, I’m not going to set out the Autumn Statement now …

ANDREW MARR:
Oh go on.

GEORGE OSBORNE:
… or indeed the …

ANDREW MARR:
Go on.

GEORGE OSBORNE:
… manifesto for the next Parliament, but I’m clear more action will be required on
welfare. In fact at the moment we are taking action to make sure that when you turn
up at a Job Centre actually the first thing you have to do is look for work. We’re
taking action to help the long-term unemployed who have been left behind in previous
recoveries and we’re also taking action to make sure that EU migrants can’t just
simply come to this country and claim benefits. So there’s already a lot of action
underway under this government on welfare …

ANDREW MARR:
Okay.

GEORGE OSBORNE:
… but I’m pretty clear that we’ve got to do more because ultimately you know the
cost of welfare is one of the things that makes the public finances unsustainable.
ANDREW MARR:
Exactly. And on your own numbers, you have to do a heck of a lot more. You talk about you know shrinking the state in these abstract terms. Can you give me a picture of what the welfare system and the state will look like after another five years of George Osborne’s chancellorship?

GEORGE OSBORNE:
Well I want a state that helps Britain and helps the people of Britain succeed in the modern world. I want to make sure our schools are equipping our kids with the right skills to get great careers. I want the best healthcare in the world. I want to make sure our police have what they need to do their job - and we’ve been reminded in Glasgow of what an incredible job they do. So we need an affordable state.

ANDREW MARR:
(over) That’s the sunny side of the street. I’m asking about the other side.

GEORGE OSBORNE:
Well it’s … Look I think the one thing we’ve learnt over the last ten years is if you don’t get a grip on the public finances, if you don’t have a long-term economic plan, you go you know quite literally from boom to bust in these things and that is not a sensible approach.

ANDREW MARR:
I’m not disagreeing with you. I’m just asking you to paint a picture, a full picture of what will happen after another five years of quite tough austerity and cuts in welfare. Where are those cuts going to go? How is the welfare system going to look and feel different?

GEORGE OSBORNE:
Well I think the welfare system should support those genuinely in need, but have very, very strong incentives - to put it mildly - that people have to work if they can work. And, look, one of the great successes of this recovery has been the creation of jobs. Quite often you know Ed Balls would be talking about a jobless recovery if he possibly could.
ANDREW MARR:
Yes.

GEORGE OSBORNE:
He can’t. It’s a job rich recovery - over a million jobs created in the private sector since we came to office. I just want to make sure that those jobs are available to young British kids …

ANDREW MARR:
Okay.

GEORGE OSBORNE:
… by making sure they’ve got the right skills, making sure they’ve got all the opportunities at university or with apprenticeships or whatever to make sure that they’re part of what I hope is a more prosperous world.

ANDREW MARR:
George Osborne, thank you very much indeed for joining us this morning.

INTERVIEW ENDS