ANDREW MARR:
There are some pretty rotten jobs in this world. You could be the United Nations Peace Envoy to Syria, for example. Overseeing government spending cuts as we trudge through the long age of austerity isn’t all that great either. On the other hand, at least the Liberal Democrat Chief Secretary to the Treasury, Danny Alexander, has a job. It’s going to mean him taking huge decisions now about where the pain falls - hospitals, police, welfare, the army - for years ahead. And he joins me now. Welcome. Can I start by asking about the sort of overall state of the economy as you perceive it. Four or five years more of pain to come; Vince Cable talking about, speculating on a triple dip recession. This could go on for a very long time and be almost unbearable for a lot of people for a long time.

DANNY ALEXANDER:
Well, look, the Autumn Statement was about the world as it is, not the world as we might have hoped it was going to be two and a half years ago; nor indeed the sort of fantasy world in which the Labour Party seem to exist. What’s going on here, as the OBR told us in their report this week, is that we’ve seen much slower growth in the
Eurozone, we’ve seen the weight of the broken banking system in the United Kingdom weighing down on our economy, and that does mean that things are going to take longer to clear up the mess that we have started down the road on. So it is a longer and harder road, if you like, but we are making progress and I think we’re going to get there.

**ANDREW MARR:**
Are we going to see a triple dip recession?

**DANNY ALEXANDER:**
Well, look, the OBR forecast that the final quarter of this year would be negative but that we’d see positive growth slowly returning in every quarter of next year. That would suggest that we’re not going to have that happening. But of course, look, it’s an uncertain world out there, we’re seeing continuing problems in the Eurozone, but I’m happy to rest on the OBR’s forecast, which is a sort of bounce back if you like from the Olympic boost we saw in the third quarter causing a small negative in the final quarter of this year, but then steady growth slowly starting to return next year and into the year after that.

**ANDREW MARR:**
Are you also happy to rest on the fact that people at the bottom of the heap are paying more than everybody else to get us out of this? I mean there is a small group right at the top who are being taxed heavily, but if you look at the people in the bottom 10 per cent, in the bottom 20 per cent, those are really, really hurting now and you’re imposing another three years of in effect cuts on many people, including disabled people, who feel that it’s intolerable and unfair.

**DANNY ALEXANDER:**
Well first and foremost, as you say, we are asking those who have the most to contribute the most. We’ve had additional tax rises in this Autumn Statement. We’ve had tax rises on the wealthy at every fiscal event that this government has done. And so …

**ANDREW MARR:**
*(over)* They have to pay an extra seven billion, but people at the bottom are going to
have to pay an extra fourteen billion.

**DANNY ALEXANDER:**
Well actually I think people at the top, if you take all the measures over time that we’ve put in place, are paying considerably more than that …

**ANDREW MARR:**
I’m just talking about this particular statement.

**DANNY ALEXANDER:**
… and it’s right that they should. But, look, in dealing with our country’s economic problems, in dealing with the fact that we have a budget deficit that we have to deal with, we have to as a country live within our means, that means we have to make reductions in a whole range of areas. I think that the decisions we made on welfare in the Autumn Statement, given that some people were arguing we should make ten billion pounds of welfare cuts (we’ve made three and a half billion); given that some people were arguing for particular measures aimed at particular groups - young people on housing benefit, for example …

**ANDREW MARR:**
By some people, you mean the Conservatives?

**DANNY ALEXANDER:**
Some Conservatives, families with more than two children. These were things that were advocated. I think the measure that we put forward, which is saying to people on out of work benefits and indeed some people in work too, you expected your benefits to rise; they’re going to rise by a bit less than you expected, but we are also going to give you the biggest single tax cut for working people that we’ve seen for many generations and therefore actually if you’re in work …

**ANDREW MARR:**
*(over)* And that’s the threshold you’re talking …
DANNY ALEXANDER:

(over) That’s the tax threshold.

ANDREW MARR:

Which you’re paying for by hitting people, including the disabled. And a lot of people look at these figures and say that is just not fair; how can you possibly as a Liberal Democrat, saying that you’re on the progressive side of politics, be doing this to disabled people?

DANNY ALEXANDER:

Well in fact we’ve protected disability benefits, disability living allowance, disability elements of tax credits and so on from the reductions.

ANDREW MARR:

(over) The freeze is going to hit these people.

DANNY ALEXANDER:

We are increasing benefits by one per cent for three years.

ANDREW MARR:

Which is an effective cut given inflation, so it’s going to hit these people.

DANNY ALEXANDER:

It’s a reduction in real terms, you’re quite right. It’s sharing that burden across a wide group of people, but …

ANDREW MARR:

Should we be sharing the burden so much with the disabled at the bottom of the pile?

DANNY ALEXANDER:

Well in terms of disability, the key benefits for disabled people - disability living allowance, the disability components of tax credits, especially those for disabled children - those are rising with inflation. We are …
ANDREW MARR:
So people like Tanni Grey-Thompson and all the disabled charities and Scope and Mencap and all these groups who are furious, howling with outrage, they’ve all got the wrong picture or are they just politicking? What are you saying about them?

DANNY ALEXANDER:
I’m not accusing them of that at all. They have a very important argument to make and we’ve listened to that argument by saying that … You know we could have said we’re going to apply this one per cent to disability living allowance, which is the principal benefit that goes to meet the extra costs of disability. We could have said we’re going to apply that to the tax credits that go to disabled children. We’re not. We’re continuing to uprate those in line with inflation, as they have always been. Likewise with pension. Likewise …

ANDREW MARR:
(over) But they are going to be … they are going to be poorer …

DANNY ALEXANDER:
(over) Likewise …

ANDREW MARR:
… as a result of the Autumn Statement?

DANNY ALEXANDER:
Likewise with pensioners, for example, where many disabled people are pensioners. We’re uprating the basic state pension not by inflation, not by earnings, but by a higher level than either of those things …

ANDREW MARR:
You see some people …

DANNY ALEXANDER:
… putting money into the pockets of pensioners as well.
ANDREW MARR:
Okay. Some people would say there is a cynical politics involved in all of this, which is you know perfectly well that pensioners are much likelier to vote and you know that people on middle incomes are likely to vote, and people on welfare (for whatever reason) are less likely to vote. So whatever the howls of outrage from the various lobby groups and so on, in a cynical way this makes good politics.

DANNY ALEXANDER:
I don’t look at it in that way at all. As you said in the introduction, my job is to find the way to make the savings this country has to make, to deal with the catastrophic financial mess that our predecessors left this country in. That is taking longer and it means we have to make difficult decisions.

ANDREW MARR:
Okay, let’s …

DANNY ALEXANDER:
And I look at that from the point of view of saying how do we make sure that the balance overall is fair, but recognising that we have to reduce the rate of increase of the costs of the welfare system. I don’t want to talk about the benefit recipients in a negative way. Many of those people are people who’ve …

ANDREW MARR:
Sixty per cent of them are in work.

DANNY ALEXANDER:
In work. And those 60 per cent, by the way, will be net better off as a result of the Autumn Statement because the single biggest tax cut coming from the Liberal Democrats in this government, in terms of the increase in the income tax threshold, will mean in net terms working people on low incomes are better off as a result of this Autumn Statement. That’s something that as a Liberal Democrat, having written the
£10,000 income tax threshold into our election manifesto …

ANDREW MARR:
Yes.

DANNY ALEXANDER:
… which we’re delivering to make sure everyone can get …

ANDREW MARR:
(over) All I’m saying is you’re paying …

DANNY ALEXANDER:
(over) … I think is the right thing to do.

ANDREW MARR:
(over) … you’re paying for it with benefit cuts is all I’m saying.

DANNY ALEXANDER:
Well we’re paying for it by getting more money off tax dodgers. We’re paying for it by asking the wealthy to pay more and also better off people to pay more through the 40p rate too.

ANDREW MARR:
Well let’s hop to the other end of the scale and talk about the tax dodgers that you were mentioning there.

DANNY ALEXANDER:
Yes.

ANDREW MARR:
Starbucks have suddenly come up and said ooh, here’s twenty million quid. What do you make of this? I mean is taxation for big companies now a kind of voluntary … you know a bit of money in the plate arrangement? It’s very strange.
DANNY ALEXANDER:
No taxation for big companies or for anyone in society can’t be and mustn’t be a voluntary arrangement. You know …

ANDREW MARR:
So what’s your reaction to what Starbucks have said?

DANNY ALEXANDER:
Well I’m not going to comment on individual taxpayers, but what I’d say is this; that thinking of the tax system as if it’s like the church plate going around on a Sunday morning is completely the wrong way to think about it. Our job as a government and the responsibility of taxpayers is to pay the proper amount of tax that they owe. If any business wants to come forward to the government and say we think we may have paid too little tax and we want to rectify our arrangements, I of course welcome that. But there are millions of small businesses and tens of millions of individuals in this country who pay the proper amount of tax day in, day out, and ensuring that people can’t avoid our tax system is a key objective …

ANDREW MARR:
(over) So this business of coming up and offering up a bit of money for a headline, how would you regard that - intolerable or unacceptable? What’s the word you …

DANNY ALEXANDER:
They have to have … Any company who does that, any multi-national, has to have a conversation with HMRC. I gather that is still ongoing, so I’m not going to get into the individual … the individual taxes.

ANDREW MARR:
(over) I’m really asking about the principle rather than the individual company.

DANNY ALEXANDER:
Look, the principle is the tax system is not a voluntary … paying tax is not a voluntary choice. It’s not something you can just choose to do willy-nilly because you...
think that might please your customers. It’s an obligation. What we have to do - which we did in the Autumn Statement - is put more resources at the hands of the taxman, so they can go after big companies and wealthy individuals to make sure they’re paying the proper amount of tax, and change the global rules too to make sure that the global rules are there to catch these companies and brought up to date with the internet age and the different ways that businesses are run these days.

ANDREW MARR:
So barely a day goes by without another example of a big company who it turns out are not paying tax or not paying very much tax. You’re closing … you’re starting to close loopholes and tax havens in places like Guernsey and the Isle of Man and Lichtenstein and so on. But what about progress on the really big stuff, which is some kind of new international agreement to enforce very large multinational companies paying their fair whack of tax?

DANNY ALEXANDER:
Well it’s a very important point and George Osborne has taken the lead in terms of the OECD. We’ve put more money into the OECD alongside the French and German governments to get work done right now to change the rules globally, so that we can make sure that the rules catch these big companies; that you can’t use the transfer pricing arrangements to shift profits artificially to low tax jurisdictions, for example. That’s work that’s going on right now. But in the meantime, in advance of that work being completed, last week we put more money into HMRC to ensure that they can raise extra money from these companies and from individuals, will be getting an extra £9 nine billion a year as a result of the efforts that I and my colleagues in the Treasury have pushed forward over the last two and a half years. That’s the right way to do this. I think your general observation though, which is that in a sense the tax system we inherited was full of holes and that we’ve got a lot of work to do to close those loopholes …

ANDREW MARR:
And this is the moment to do it.

DANNY ALEXANDER:
This is absolutely the moment to do it because it’s about fairness.

ANDREW MARR:
Yeah.

DANNY ALEXANDER:
It’s about saying that at a time of austerity everyone has an obligation to play by the same tax rules.

ANDREW MARR:
Right. Why did you lose the argument on the mansion tax, speaking of taxes?

DANNY ALEXANDER:
Well, look, we put forward an idea of a mansion tax. I think it’s absolutely the right idea that people in very large, expensive property should pay additional tax. The Conservatives have made clear their longstanding opposition to that.

ANDREW MARR:
Was this because you think that Conservative donors said no more black tie dinners, no more help in our mansions if you put a mansion tax on us, as has been reported today?

DANNY ALEXANDER:
Well I know that there was a letter going around from Conservative treasurers saying that. There was an argument in the discussions we had, which was much more about revaluations of properties and so on. But I think it’s the right thing to do. We haven’t been able to succeed this time, but we have increased taxes on the wealthiest through their pensions.

ANDREW MARR:
(simultaneously) Pensions.

DANNY ALEXANDER:
We’re getting more money in from Switzerland and other places where wealthy
people thought they could hide their money from the British taxman. We’re taking more money off the better off too. And in a sense that’s part of the overall fairness of the package. Of course that means that we as Liberal Democrats will continue to argue for this within government, but if we don’t succeed over the next two and a half years we’ll put it to the British people as part of our manifesto next time around.

**ANDREW MARR:**
Meanwhile, the Institute for Fiscal Studies says there is still a huge black hole ahead unless the economy kind of magically transforms itself, and that if you carry on protecting the NHS, overseas aid and so on, then the non-protected departments are going to have to face a real terms cut of about a third or 30 odd per cent in their departmental budget, which they describe as “intolerable”, “impossible” and so on. They’re right - you’re going to have to look again at what you ring-fence and what you don’t ring-fence, aren’t you?

**DANNY ALEXANDER:**
Well the job that I have to do over the next six months is find an extra £10 billion of savings from government departments. That’s going to be …

**ANDREW MARR:**
*(over)* And that’s only the short-term.

**DANNY ALEXANDER:**
That’s only the short-term. That’s a difficult job and there’s going to be some difficult choices there, but we’ve said that we need to protect the NHS budget. As you know, cost pressures in the NHS run far ahead of inflation. As you heard from Ann Clwyd’s very moving interview, there’s an awful lot of work that needs to be done to improve standards in the NHS, so I think it’s right to continue to protect that part of the public sector alongside the school budget.

**ANDREW MARR:**
*(over)* Which means you’ve got to be much more brutal than you’ve been so far in other departmental spending you know like the Swedes and lots of other countries. In
some respects people say you’ve still … I mean it’s ghastly, but you’re pussyfooting around. You’ve actually got to go into some of these departments and take out great functions that government has always done or used to do but we can’t afford anymore.

DANNY ALEXANDER: 
Well we seem to have people on one side saying we’re cutting too much and other people saying …

ANDREW MARR: 
That’s politics.

DANNY ALEXANDER: 
… we’re cutting too little.

ANDREW MARR: 
Yeah.

DANNY ALEXANDER: 
I think that we are right not to sort of chase our debt target, but instead to continue to do this in a steady way. The reductions in 2015/16 are the same pace of reductions that those departments have seen over the recent years. But, look, I think there’s also an opportunity, if I may say so, to do some positive things here - not just to support growth enhancing, but, for example, I would like to see additional resources found through this spending round to support improvements in childcare, particularly for working mums seeking to go back to work after their first kid. So we have to make those difficult choices to fund those positive things as well as to make the reductions.

ANDREW MARR: 
But you look at the numbers and you look at what’s happened to the economy and it is blatantly obvious there is going to have to be another very substantial round of cuts or of tax rises.

DANNY ALEXANDER: 
Yeah.

**ANDREW MARR:**
So I put it to you that actually next year or the year after or whenever, you’re going to have to come back to the British people and say we need more tax rises.

**DANNY ALEXANDER:**
Well, look …

**ANDREW MARR:**
*(over)* Maybe when your mansion tax comes in. I don’t know.

**DANNY ALEXANDER:**
It might well be. We’re making the decisions for 2015/16. We’ll set out in our manifesto choices for those future years. By the way, this is one of the reasons why I think the Labour Party’s position (not least on these welfare votes) is so incredible.

**ANDREW MARR:**
Yeah.

**DANNY ALEXANDER:**
They seem to live in a fantasy world in which you don’t have to make these difficult choices, but you do.

**ANDREW MARR:**
*(over)* They come in - okay, okay. Before we finish, I want to come back to the question of the short to medium term future. Another budget in March. Are we not going to have to see yet more changes to the base spending on departments, more cuts in departmental budgets, and probably more taxes too?

**DANNY ALEXANDER:**
I don’t think so. We are in this spending review period, over the next couple of years, we’re sticking to the plans we’ve set out. We’ve shifted money by squeezing bureaucracy, by squeezing Whitehall to put …
ANDREW MARR:
(over) Not very much.

DANNY ALEXANDER:
… to put more money into investment in things like roads, to put more money into cutting taxes for working people, reducing fuel duty.

ANDREW MARR:
You haven’t squeezed very much.

DANNY ALEXANDER:
Well we’ve …

ANDREW MARR:
Six per cent so far of what needed to be done has been done in departmental budgets.

DANNY ALEXANDER:
We’ve made significant squeezes and there are more squeezes to come not just in this parliament but into the next two.

ANDREW MARR:
Alright. Danny Alexander, thank you very much for joining us this morning.

INTERVIEW ENDS