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THE ANDREW MARR SHOW

INTERVIEW:

GEORGE OSBORNE, MP

CHANCELLOR OF THE

EXCHEQUER

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ANDREW MARR:

George Osborne has had a fair bit of budget experience. He's delivered six budgets already, but he hasn't had the chance to deliver stunning moments to match Geoffrey Howe's budgets in the early Thatcher years or Nigel Lawson's sensational budget of 1988. And that is for an obvious reason: he has been a Conservative chancellor in a coalition government. Well, no longer. This week, finally, it's Osborne unfettered and unplugged and he joins me now. A very big moment for you. How different is it going to feel?

GEORGE OSBORNE:

Well I always regard budgets as a moment of enormous responsibility where I have to get the economic judgement right for the country. But in a sense this budget is a budget where I can deliver the promises upon which the Conservative government was elected – the promise of delivering economic security for working people, the promise to put the public finances in order, the promise that working people can keep more of their income tax free, the promise that we have a welfare system that's fair not just to those who need it but to those who pay for it. So those are the promises

upon which we're elected and those are the promises we're going to deliver in this budget.

ANDREW MARR:

But you always had Liberal Democrats at your elbows behind you tapping on your shoulder before. How different is it not to have them now?

GEORGE OSBORNE:

Well I worked very closely with David Cameron to put this budget together and other cabinet colleagues and I think you do feel I made some promises in the election campaign, I haven't had to trade those away in some coalition deal. I'm able to do what I told the British people I was going to do and you know maybe that will take us a small step towards restoring some faith that politicians do what they say.

ANDREW MARR:

Now inevitably this is going to be an austerity moment as well. Can I ask ... I'm not going to ask for details, but the broad proportions of where the savings are going to be made. Five billion or so from closing tax loopholes, around 12 billion or so from welfare and around 13 or so from unprotected departments, is that proportion going to stick, broadly?

GEORGE OSBORNE:

Well that's what we set out in the election campaign. That was to eliminate the current budget deficit, not the overall budget deficit. That was what we agreed with the Liberal Democrats. The Conservatives always said we needed to go further and run an overall budget surplus and it's good to hear that people are beginning to see across the political spectrum that that's an important new settlement in our politics – that in good years, in normal times you run a surplus, you pay down your debt, you fix the roof when the sun is shining. So yes, we've got to find savings in welfare – and we have found that £12 billion of savings in welfare that we said we'd be able to find in the election. We need to find extra money from people who not just evade their taxes but also aggressive tax avoidance and tax planning. We've got to make sure this is a fair budget, that we're all in this together. And we've also got to make sure that government departments go on finding efficiencies because ultimately it's

not your money or my money; it's the money of the people who are going out to work, who watch this programme, who pay their taxes and expect a fair deal.

ANDREW MARR:

Absolutely. Now one of the big issues I think this time round is going to be tax credits. There's been a lot of talk about tax credits. I was talking to Chris Leslie about this. We know why they were introduced – to encourage people back into work – and you could say that's been successful, we have a very ... relatively high level of employment in this country. But they also mean ordinary taxpayers, the people you're describing at the moment, subsidising firms which are paying poverty wages. Two No. 10 advisers have now ... former advisers have now said that they think you should put more pressure on companies to pay better wages and get us out of tax credits possibly altogether.

GEORGE OSBORNE:

Well look, the good news is that earnings are now rising sharply in our economy and the national minimum wage I think is a good system and is due to go up again this October.

ANDREW MARR:

Is it high enough?

GEORGE OSBORNE:

Well that's a judgement the Low Pay Commission make. But I would say the Conservative answer to this challenge is to make sure your businesses are growing and profitable and that they can pay good salaries; and second, crucially, that you reduce taxes on working people. That's the simplest way to boost their wages. And if we pursue the approach we've taken of raising the personal allowance to £12,500, making sure that the higher rate threshold goes up to £50,000 over this parliament, then we're able to make sure people keep more of their money and we can grow the economy and grow jobs in this economy too.

ANDREW MARR:

And is the quid pro quo from that that you don't end up paying so much in working

tax credits to people who are working but for low wages?

GEORGE OSBORNE:

Well look the tax credit system originally ...

ANDREW MARR:

I'm interested in the philosophy behind it rather than the people.

GEORGE OSBORNE:

Well in fact if you want to go back to the original ...

ANDREW MARR:

(over) Not necessarily, not necessarily.

GEORGE OSBORNE:

No the origins of the concept that you pay something to people in work actually goes back to Ted Heath, and the first real working example of it was actually introduced by the last Conservative government. But it has got and become a very, very expensive system. When it was introduced, we were told by Gordon Brown in its current form it was going to cost a couple of billion pounds. It now costs £30 billion and that is a huge sum of money. That's three times the Home Office budget. So we have to make savings and indeed in our manifesto we said we'd have to take difficult decisions like freezing working age benefits, which include tax credits.

ANDREW MARR:

But if you're just going to take the money away without putting pressure on companies to pay higher wages, you're going to drive a lot of people into poverty, including children, which is why other people are saying actually what you should be doing is making the minimum wage almost the living wage – in other words much higher. And as a government, you could do that. You could say, for instance, alright companies who don't pay a proper wage, that's entirely up to you, we're not going to intervene in the market, but we are not going to give you government contracts. I mean you could use the power of government to make a lot of people pay higher wages and therefore get us out of this ridiculous merry-go-round of tax credits.

GEORGE OSBORNE:

Well, look, we do have a merry-go-round which people pay their taxes and then get back benefits, but I think the best answer to that is to cut people's taxes and that is the most straightforward, conservative way of doing this. I think more broadly you do have to look at the benefits system and the welfare system and make sure it is fair for working people. You know it is not fair, for example, that people out of work can earn more than people in work, so we're going to cut the benefit cap (as we said in our manifesto) to £23,000 in London, but I can tell you today will be lower in the rest of the country. We're also going to make sure that those on high incomes in subsidised council housing pay something closer to the market rent because that's fair. We've got to have a welfare system that is fair to those who need it, but also fair to those who pay for it.

ANDREW MARR:

When you say lower outside London, are we talking about £20,000 or even lower than that?

GEORGE OSBORNE:

Well we will set out the details in the budget. What I'm establishing now are the principles of a welfare system that is fair to working people. And, frankly, it has become unbalanced. We've made really substantial steps forward in the last parliament, in a coalition government. Iain Duncan Smith's major reform in bringing in universal credit is going to sharpen the work incentives to make sure it always pays to work. So we've got some major reforms underway, but I think there's more we can do and we will do more on Wednesday.

ANDREW MARR:

And there's been a lot of briefing about housing as well and the payments for housing, which again have gone up very high because there hasn't been enough housing available around the country. Now every politician I talk to says we're going to build more houses. Somehow it never quite happens. Are you going to be different?

GEORGE OSBORNE:

Well I do want to see many more homes built and look frankly I often tell my own

party, as well as others, that we've got to allow more homes to be built. We will have reforms to planning as well. We've got to make sure we're building homes that people want to buy as well. I think that's a missing part of the piece at the moment. There's been a big increase in the social housing programme, which we initiated in the last government, but what we also want to do is make sure that people get on the housing ladder if they want to buy their own home. And of course I think one of the most progressive reforms we've got at the moment, hotly tested by our opponents but I think absolutely right, is that people who are tenants of housing associations have the same right to buy as other people in our country do.

ANDREW MARR:

But if you cut back people's housing benefit while the homes haven't yet been built, there are going to be a lot of people who are simply not able to afford to live where they have always lived and need to live to work and where their families have been used to living.

GEORGE OSBORNE:

Well you know I remember doing an interview like this 5 years ago and being told if you introduce this benefit cap, you're going to push people out of London; if you cut housing benefit ...

ANDREW MARR:

Well some people were.

GEORGE OSBORNE:

Well you know when we introduced the benefit cap actually 30,000 people at least went into work because it's a cap that applies to people who are out of work.

ANDREW MARR:

But there's always a tipping point, isn't there?

GEORGE OSBORNE:

And you know with housing benefit, we are in this – to use the phrase again – merry-go-round where the housing benefit bill goes up and up and up and that goes

straight into the rents which go up and up and up. So ...

ANDREW MARR:

(over) It goes into the pockets of private landlords very often.

GEORGE OSBORNE:

Well you know that is something of course we need to look at. The housing benefit bill is a major component of the government's budget. And ultimately if I don't make these choices, if I'm not making savings in welfare, then I'm having to come after public services and get bigger savings there and I don't think that's fair. Can I make a general observation? You look at the situation in Greece ...

ANDREW MARR:

Yeah.

GEORGE OSBORNE:

... and it is a reminder what happens when countries don't get their own house in order. And we've got to deliver economic security for working people. We mustn't ease up just because the economy's growing and jobs are being created. We have to finish the job, we have to make sure that Britain is safe and secure.

ANDREW MARR:

Since we're running through the welfare side of the equation, in the election campaign I was asking you and the prime minister quite often about disabled people and disability benefits, and I got the very clear impression that you were not going to go after disability benefits. Is that accurate?

GEORGE OSBORNE:

Well again you will have to see the whole welfare package ...

ANDREW MARR:

Yes.

GEORGE OSBORNE:

... on Wednesday, but the prime minister and I set out very clear principles. One of those principles was that we would protect the most vulnerable in our society and that clearly means of course disabled people and we have actually increased disability benefit in the last 5 years.

ANDREW MARR:

(over) But you got rid of the Independent Living Fund, which had a huge impact on some people.

GEORGE OSBORNE:

We introduced Personal Independence Payments that made the support available to disabled people more tailored to them. It increased the amount of money going to them. And when it comes to things like the Independent Living Fund, actually we have paid councils to run that fund locally. Again we're not trying to run this system from the centre of London.

ANDREW MARR:

(over) And sometimes it's working and sometimes it's not.

GEORGE OSBORNE:

(over) One of the big reforms I want to see over the next few years and it will feature in the budget is that we devolve power across our nations and regions, we build that Northern Powerhouse, the engine in the Midlands and the like, so that local people and local government ...

ANDREW MARR:

Yes.

GEORGE OSBORNE:

... takes a greater responsibility for the things that happen in local areas.

ANDREW MARR:

Just staying with the disabled for a moment. Those benefits are not means tested. Is there, therefore, a case in your mind for taxing them?

GEORGE OSBORNE:

Well, as I say, I don't want to ...

ANDREW MARR:

(over) Get into the detail.

GEORGE OSBORNE:

... get into the detail of what we're talking about.

ANDREW MARR:

But in principle?

GEORGE OSBORNE:

Well I think actually we did answer that question directly during the general election – that we were not looking at that ...

ANDREW MARR:

Okay.

GEORGE OSBORNE:

... and, as I say, we're going to deliver the promises we made in the general election.

ANDREW MARR:

Right. Now at the other end of the scale, one thing that you could do to really make this budget sing out and be remembered by history would be to cut the top rate of income tax, which many of your colleagues are desperate for you to do – a great, big, traditional Tory measure.

GEORGE OSBORNE:

Well we've set out our tax priorities. And again I know this is going to sound a bit like a stuck record, but we made some promises in the election and I want to deliver on the promises. And the promises we made in the election ...

ANDREW MARR:

On threshold.

GEORGE OSBORNE:

... were on the thresholds. I mean that was ... that's our priority. We want to take people on the minimum wage out of income tax, raise that tax free allowance to £12,500. For people earning a bit more, we want to raise the higher rate to £50,000. Those are our priorities ...

ANDREW MARR:

(over) Okay those are the first priorities.

GEORGE OSBORNE:

(over) ... and you know I think in the last parliament, I had to deal with a very punitive 50p rate, which wasn't a particularly popular thing to do but I think absolutely necessary for Britain's competitiveness and the way it was perceived around the world. So I took that action ...

ANDREW MARR:

(over) And taking roads as a result??

GEORGE OSBORNE:

And takings from ...

ANDREW MARR

Yeah.

GEORGE OSBORNE:

It's a good point, which actually of course we actually collect more in tax now ...

ANDREW MARR:

(over) Having cut the rate. So ...

GEORGE OSBORNE:

(over) ... from the wealthiest people, the people on the top rate, than we did when

there was a Labour government. But ...

ANDREW MARR:

(over) So John Redwood says do the same again and the same thing will happen.

GEORGE OSBORNE:

But look, Andrew, my priorities – and this is the first budget of the parliament – my priorities are to deliver the promises upon which we were elected, whether it's that fair welfare system, whether it's taking the family home out of inheritance tax – another promise I made many years ago on this programme ...

ANDREW MARR:

Yes indeed.

GEORGE OSBORNE:

... which we're going to be able to deliver – promises to deliver economic security to working people.

ANDREW MARR:

Ed Miliband didn't launch many successful attacks on you guys during the election campaign, but I did get the sense that when he was going on the non-doms issue he had caused some pain. Are you going to deal with the non-doms issue?

GEORGE OSBORNE:

Well look I can't again talk about my budget on this programme ...

ANDREW MARR:

Indeed.

GEORGE OSBORNE:

... in detail and it wouldn't be fair to ...

ANDREW MARR:

(over) Principle, principle.

GEORGE OSBORNE:

Well you want to try and get the balance right. I think this is one of the biggest challenges that people doing my job face and it's a challenge that Labour chancellors have faced as well, which is you know we have a great global capital city in London and it I think is of enormous benefit to the rest of the country. Now we want to build the rest of the country up like the Northern Powerhouse. We don't want to pull London down. And so getting that balance right, having a tax regime that encourages successful people who are here to grow their businesses and work here is very important. You don't want to follow the route of some of our continental neighbours who've just ...

ANDREW MARR:

(over) Keep them all out.

GEORGE OSBORNE:

... sent all these people abroad. And actually it was Ed Balls who said you know if you just abolish the non-dom regime, you actually are going to cost the country money. So in all these areas, I try and strike the balance between something that is right for the country economically ...

ANDREW MARR:

Sure.

GEORGE OSBORNE:

... whilst at the same time fair, and when it comes to non-doms, I have therefore jacked up the amount of money they pay every year for that non-dom status. So trying to strike that balance is not always easy ...

ANDREW MARR:

(over) It's very difficult.

GEORGE OSBORNE:

... but that's what we try and do.

ANDREW MARR:

Now you mentioned Greece earlier on and we are on the edge of something that could be very, very dramatic – this referendum. Can you say which way you would be voting if you were Greek? (*Osborne laughs*) I know it's a strange thought for you.

GEORGE OSBORNE:

Well you know I don't think I should – not that I suspect that you know Greek people are particularly listening to the international community at the moment – I'm not going to on the day of their referendum say how I would vote. And I think we should respect Greek democracy ...

ANDREW MARR:

(*over*) Whatever it is.

GEORGE OSBORNE:

... I mean it is the home of democracy, after all. What I would say is whatever Greece decides, Britain is prepared. We have the plans in place for whatever the outcome is. The prime minister will be chairing a meeting tomorrow morning with myself, the Governor of the Bank of England and others to assess the situation. But I don't think anyone should be in any doubt: the Greek situation has an impact on the European economy, which has an impact on us, and we cannot be immune from these ...

ANDREW MARR:

(*over*) That was my question really.

GEORGE OSBORNE:

Well it's all the more reason why we've got to keep our house in order, run that budget surplus, pay down our debts, be better prepared for whatever the world throws at us because clearly the world can throw anything at us.

ANDREW MARR:

But I mean there could be ... even beyond the financial thing, there could be a big security implications and migration implications if we see social breakdown and a

Greek exit from the euro?

GEORGE OSBORNE:

Well again we're you know jumping ahead a little, but I think there's a lot of sympathy I suspect in Britain and elsewhere in Europe for the hardship that the Greek people have endured. And it's not their fault. It's been the fault of some pretty terrible governments they've had in the past. So of course we want Greece to prosper and succeed, it's a country we feel a lot of affection for, but ultimately you know if you're in the single currency, there are rules you have to abide by. It's one of the reasons we didn't join the single currency in the first place.

ANDREW MARR:

A little bit of local housekeeping. There are some various cheerfully menacing stories about the BBC all over the – and the budget – all over the newspapers today. Standing back a little bit, what kind of BBC would you like to see?

GEORGE OSBORNE:

Well look, the BBC is a really important national institution and a fantastic broadcaster that produces some of the best television and radio in the world, and we want to give it a sustainable future in an age where the technology is changing, where there are lots of other broadcasters out there. But the BBC is also a publicly funded public institution and so it does need to make savings and contribute to what we need to do as a country to get our house in order. So we are in discussion with the BBC. Of course we've got the charter renewal process going on as well and when we have conclusions we can talk about, we'll come and talk about them.

ANDREW MARR:

Now one of the things ... I know you can't talk about the budget, but one of the things that is suggested is the BBC would take over the cost of licences for older people and in return there would be some kind of deal. The net effect of that according to all the papers and all the commentators would be about half a billion pounds out of the BBC's operating money, which would be the equivalent of closing, for instance, Radio 2 and Radio 5 Live or possibly a big TV channel. Is that the kind of thing you'd be comfortable to happen on your watch?

GEORGE OSBORNE:

Well I remember 5 years ago doing a deal with the BBC, the then Director General Mark Thompson, where actually the BBC did make around £500 million of savings or took on 500 million pounds worth of responsibilities ...

ANDREW MARR:

Indeed.

GEORGE OSBORNE:

... including things like the BBC World Service. I was told at the time by people they're going to shut down BBC2, they're going to close Radio 4. They always seem to, they always seem to ...

ANDREW MARR:

(over) There comes a point when it's true.

GEORGE OSBORNE:

(over) ... they always seem to pick you know the juiciest fruit on the tree.

ANDREW MARR:

Yeah.

GEORGE OSBORNE:

You know I would say the BBC's a well-run organisation under Tony Hall. I'm absolutely sure that they can make a contribution. But I want the BBC to have a strong future and if you – and you would know this better than most, Andrew – there are massive technological changes that if we don't address will mean the licence fee income will slowly disappear.

ANDREW MARR:

(over) Will slip away, agreed.

GEORGE OSBORNE:

And I think therefore that's the basis of a deal we can do.

ANDREW MARR:

But there is a sort of philosophical question about what kind of organisation the BBC should be. Should it be pure market failure, things that nobody else would do, or should it be making big popular programmes like, for instance, Strictly? Which side of that argument do you come down on?

GEORGE OSBORNE:

Well I absolutely want the BBC to go on making fantastic programmes like Strictly. You know I'm straying into your world here. But look I would say you want the BBC to be producing popular programmes that people want to watch. I think if the BBC decides it's only going to do niche things, then it loses its argument. But I think you are able to say to the BBC things like – and this is more for the charter renewal – if you look at your website, you know what's The Times newspaper or The Telegraph newspaper or The Daily Mail or The Sun or The Mirror going to look like in ten years' time? It's going to be an online paper probably. And so therefore if you've got a website that's got features and cooking recipes and ...

ANDREW MARR:

(over) Taking their lunch.

GEORGE OSBORNE:

... you know effectively the BBC website becomes the national newspaper as well as the national broadcaster. And you know there are those sorts of issues which I think we ...

ANDREW MARR:

(over) And that might be too much.

GEORGE OSBORNE:

... which I think we need to look very care... I don't think you used to edit a national newspaper.

ANDREW MARR:

Not very well.

GEORGE OSBORNE:

(laughter) You're talking yourself down. But you know you wouldn't want the BBC to completely crowd out national newspapers.

ANDREW MARR:

No.

GEORGE OSBORNE:

And if you look at the BBC website, it's a good product but it is becoming a bit more imperial in its ambitions.

ANDREW MARR:

Very interesting indeed. Imperial or otherwise, good luck on Budget Day and thanks for joining us.

INTERVIEW ENDS