ANDREW MARR:

Well, for five years Vince Cable was at the very heart of government as Business secretary, in the coalition. His time as a cabinet minister and an MP came to an abrupt end with a near wipe out in the general election in May. But he’s been busy since then, putting down his thoughts on the economy, Britain’s global future, and the often blustery years inside the coalition. His new book is called “After the Storm” and Sir Vince joins me now. Congratulations on the handle Sir Vince

VINCE CABLE:

Thank You.

ANDREW MARR:

You came into this studio many times during the coalition years and, if I may say so, you never looked terribly happy, was that because you weren’t?

VINCE CABLE:

Well, it was a tough job. We had the job of turning the economy around after a disaster, and we did a lot of good things. But, we were constantly having to make difficult compromises. I think we’re now beginning to see, with a fully-fledged Tory government, you know, what the country’s missing, you know, restraint, the way they responded to the refugee crisis was awful. I think we’re seeing very serious economic mistakes being made that will come to fruition in a couple of years’ time.
ANDREW MARR:

Let’s talk about those mistakes. Looking at your book, one of the thing you’re most worried about it the housing bubble. So how has that happened? How serious a danger is it for the British economy and who’s responsible?

VINCE CABLE:

Well, let me go back. I think, under the coalition government, and I worked very well with George Osborne for several years on key difficult questions, and he deserves credit for holding the line on difficult decisions. But I think there were a couple of bad mistakes that were made. One was the big cut back in public investment which effected, of course, housing. Thousands of houses could have been built and weren’t, it deepened the recession, the construction industry was badly damaged. And that continues into this new government, the cancellation of the railway line across the Pennines. And the other was fanning the flames of the housing boom which has been very strong over the last couple of years, and the effects of that, of course, is that millions of people have now got very high levels of personal debt, and when interest rates start rising again as they will…

ANDREW MARR:

As they will

VINCE CABLE:

…this will be very difficult.

ANDREW MARR:

So this happened to John Major, I recall as well. Do you think we could see another kind of real crisis over negative equity and lots and lots of people up and down the country…

VINCE CABLE:

History never repeats itself in quite the same way, but I think what we are potentially looking at is a combination of rising interest rates, a very serious squeeze through the budget, because George Osborne is pursuing a much more aggressive approach to deficit reduction than the coalition would have done. Those two coming together under what are potentially very difficult international conditions.

ANDREW MARR:

Well “international conditions”, the so-called “Great Fall of China”. Do you regard that as a relatively minor event on the Shanghai stock exchange, out there, not to be worried about, or is this the beginning of a really serious global squeeze again, do you think?

VINCE CABLE:

Umm…
ANDREW MARR:

All prices seem to be falling.

VINCE CABLE:

Yes, I mean China, on some measures is the biggest economy in the world, I mean roughly the same as the United States. I mean, I’m relatively optimistic, I think in the long term they will sort their problems out, but there undoubtedly is a very serious problem. It isn’t just the stock exchange, there was an enormous increase of debt, business debt, in China over the last five years. A lot of companies in China are going to go bust, it’s not clear how the Communist authorities will respond to it. But, it is hitting commodity prices, it is hitting world trade, it will hit us.

ANDREW MARR:

So we could be in for a difficult period?

VINCE CABLE:

So, well that, the Euro Zone and domestic policy failures make for a very difficult period ahead.

ANDREW MARR:

Now, we talk, and have talked all the way through, about the Cameron government. In your account of what was going on during the coalition, sometimes it seems more like the George Osborne government. You say he is the master strategist, you also say he is a bit cynical and so forth, but he is the great strategist behind all this. How far, do you think, is he really the man running this country?

VINCE CABLE:

I think to a substantial extent, yes. I mean, that was partly because of circumstances, you know the dominant story of the last seven years has been the economy. He was the chancellor, he was very close to the Prime Minister who clearly trusted him and clearly an absolutely key figure, who, going forward, expects now to succeed.

ANDREW MARR:

And successful in the sense that, you know, the ructions of the Blair-Brown partnership have been completely, they’ve gone entirely the other way. These are two guys who are really joined at the hip, they appear to like each other, spend a lot of time in each other’s company, work together.

VINCE CABLE:

Well, the Blair-Brown dynamic may work out…
ANDREW MARR:
Eventually.

VINCE CABLE:
…in a comfortably close way, because what I suspect will happen, we run into serious economic trouble in the next couple of years. Unless he moves quickly into David Cameron’s job, I think…

ANDREW MARR:
It will be difficult.

VINCE CABLE:
…It will be difficult.

ANDREW MARR:
Looking at the other side of the fence, you were a Labour member way back before you joined the Liberal Democrats. So, from that perspective, what do you make of the prospect of a Jeremy Corbyn led Labour government?

VINCE CABLE:
Well, he isn’t chosen yet and we don’t know how he’s going to respond, so…

ANDREW MARR:
He’s not no

VINCE CABLE:
…so I think we need to be cautious about it. I think he may prove to be smarter than everybody is giving him credit for. He may turn out to be a kind of Ken Livingstone, a street-wise crafty politician, but I think the potential is now that we have an enormous vacuum opening up. There are millions of people in the country who don’t like the Conservatives, who want something more progressive than what they have to offer and who will not buy into the narrative of the hard left, a kind of centre-left…

ANDREW MARR:
Do you think we will see some kind of realignment going on? We’ve been there before.

VINCE CABLE:
Well, we have been there before and it wasn’t a great success but, and I don’t there is a kind of SDP moment. But there is a big opportunity for my party. There is also large numbers of Labour supporters, activists who will be desperately uncomfortable. I think one of the things we need to be doing, and not jumping to realignments, I don’t think there’s an appetite for
that at the moment, but actually working with people, cross-party on issues, maybe locally. I wrote a piece during the week with Chukka Umunna on industry policy, and I think that kind of practical level cooperation has got to build up.

**ANDREW MARR:**

It’s a long long haul back though. With eight MPs, and so forth, it’s very very hard to see how your party comes back as a senior serious player.

**VINCE CABLE:**

Well, it’s been in a terrible place before. I’ve had a long involvement when I was first adopted as a candidate in a seat that I won and have now lost again, but we were down to three per cent in the opinion polls and then went up, went down. It will recover.

**ANDREW MARR:**

And what about yourself, what’s next for you? You’ve got this book out at the moment…

**VINCE CABLE:**

Well, I’ve got this book, I’ve got other books, some academic activities, and this afternoon I’m going off to compete in the heat of a national dancing competition.

**ANDREW MARR:**

You might take over from Jeremy Vine on Strictly. Sir Vince, thank you very much for joining us today.