ANDREW MARR:
Ed Balls was talking about what he’d like to do with the banking sector if he was in government. Of course the man who is in government and has direct responsibility for the sector is the Business Secretary Vince Cable. Now he was famously a stern critic of the banking system before it became fashionable and described it recently - or parts of it - as a “moral cesspit”. But should the government now go further than the Vickers Report I was discussing with Ed Balls just a moment ago? Vince Cable, welcome.

VINCE CABLE:
Good morning.

ANDREW MARR:
Well let’s just start directly with that because some people are saying in terms of breaking up the banks quickly and removing the casino banks from the day to day retail banking, that you should be doing even more even faster.

VINCE CABLE:
Well we are doing it. I mean the Labour government didn’t even want to go there, but we are doing it. We’ve got legislation now in parliament and it will proceed; and it will proceed the way we were advised by some of the most eminent people in the country, which was through a ring-fencing system, and it will have the effect of separating out the ordinary retail banking, business banking on the one hand, and the casinos on the other. And since we’ve commissioned some of the best people in the country to tell us how to do it, we …

**ANDREW MARR:**

*over* You’re just going to let them.

**VINCE CABLE:**

*over* … obviously listen to their advice.

**ANDREW MARR:**

What about the notion of making four thousand retail bank outlets be sold to create space for I think two new banks on the high street?

**VINCE CABLE:**

Well I want to see more competition. That’s a good idea. It is happening. For many years, of course, the top banks operated a virtual monopoly of the system. I remember challenging this in parliament about twelve years ago and nobody wanted to know. But you know we are under this government creating more competitive banks. Lloyds have already committed themselves now to selling off six hundred branches to the Co-op; we’ve got new branches coming in through Handelsbank, a Swedish bank that doesn’t do bonuses; we’ve got Metro Bank, the first private bank for I think dozens … decades; we’ve got Virgin Money; a new challenger bank coming out of Northern Rock; the building societies getting into business lending. I mean this is new, it’s important, but it’s slow and it doesn’t unfortunately deal with the real problem at the moment, which is that the banks’ (because of their existing culture, which is frankly anti-business) - obsession with short-term trading profits, not focusing on the long-term - are actually throttling the recovery of British industry. While this debate was going on in parliament last week, I was appalled. I was going round firms in the north of England - super companies, you know which have got big export potential, got
orders, and they just cannot get a loan from the bank to finance their exports and their expansion. Now this is the issue we’ve got to focus on.

ANDREW MARR:
Does that mean that a key part of quantitative easing - pushing money into the system through the banks to get the economy moving again - simply isn’t working?

VINCE CABLE:
Well the quantitative easing is necessary but not sufficient. I mean given the overall weakness of demand …

ANDREW MARR:
(over) They’re not putting that money through to the …

VINCE CABLE:
… it’s a necessary thing for the Bank of England to do. And the Bank of England has been very supportive of the economy throughout this terrible crisis, which is good. But, as you quite rightly say, there’s been a breakdown in the mechanism, in the transmission: it just doesn’t get through to companies. And we’re going to have to ensure that the new money that the Chancellor and the Governor of the Bank of England talked about at Mansion House does actually now directly reach the companies.

ANDREW MARR:
It might seem a naïve question, but wouldn’t it have been better simply to take this extra money that’s been printed and give it to the people to spend directly on goods and services? Wouldn’t that have got British industry moving better, more effectively than pushing it through the banks?

VINCE CABLE:
Well there is an issue of demand and the Governor has taken the view that he cannot print money in that way. He wants it to be done in a very rigorous way and that’s the way it’s happened.
ANDREW MARR:
Well that’s not getting through to business.

VINCE CABLE:
It is … Some of it is …

ANDREW MARR:
But not enough.

VINCE CABLE:
… and had we not done the things we have done, the position would be a great deal worse. But I think you have posed the correct challenge, which is given that our leading banks are frankly throttling recovery by not making business lending available, particularly to small-scale companies - that’s where the real problem is - we now have to focus single-mindedly on that task how to make sure that the additional money gets into British business.

ANDREW MARR:
Yes because it’s not working in terms of the growth strategy, is it? I mean everything is absolutely flat as a pancake and may be for a long time yet. What more can you do? What more are you looking at to get growth moving?

VINCE CABLE:
Well the main source of demand potentially is exports, big emerging markets, business investment. Those are the things we’re concentrating on and, as far as I’m personally concerned, trying to develop an industrial strategy.

ANDREW MARR:
Yuh.

VINCE CABLE:
And that means building on our successes - the car industry, a fantastic success story in the last couple of years, massive amount of investment going in; Aerospace - we’ve got Farnborough Airshow next week. And I think the theme that I’m trying to develop
is government working in collaboration with business in these sectors and others. You know laissez-faire just doesn’t work.

ANDREW MARR:
Right.

VINCE CABLE:
When you’re making big long-term investments, you have to have the government and the private sector working together. It’s been a great success story, the car industry, there’s more good news coming this week; and similarly in Aerospace and life sciences and others.

ANDREW MARR:
And talking of collaboration where things aren’t working so well, let’s turn to the coalition. A lot of the commentators in today’s papers suggest that the government are going to lose the vote on House of Lords reform. If that happens, what do the Liberal Democrats do? Do you walk away from the coalition or do you shrug your shoulders? What happens?

VINCE CABLE:
Well we’re not talking about walking away from the coalition - that isn’t an issue. But there is absolutely no reason why this vote should be lost. All three parties agree on House of Lords reform. They all agree that we should have an elected House of Lords, that the present system is completely unsustainable. You cannot have an upper house where the vast majority of people are just appointed by the governor of the day and there’s a few hereditaries. I mean we all accept that. It’s just a question of making sure that the legislation proceeds in a businesslike way, and I’m sure it will.

ANDREW MARR:
Well, as you know, there’s between 80 and 110 Conservative backbenchers who are determined to bring this down. And if they succeed in that, my question still stands: what happens if they bring it down?
VINCE CABLE:  
Well there’s no point engaging in a hypothetical debate …

ANDREW MARR:  
(over) Oh I don’t know.

VINCE CABLE:  
… about something which I don’t think will actually happen. I mean it’s interesting that the main argument that they use is that because this is a second order problem, we shouldn’t be wasting time on it. Well the best way of not wasting time is not delaying it and actually just getting on and doing it. And there is a large consensus in parliament that this has got to happen. It’s in the manifestoes of the three parties. We all committed to it. It’s a long overdue constitutional reform. For goodness sake, let’s just get on with it.

ANDREW MARR:  
Do you deprecate the threat made by some of your colleagues that if this is voted down, if it doesn’t happen, the Liberal Democrats should or would not back the boundary changes commissions which so many Conservatives want?

VINCE CABLE:  
Not threatening anybody. These issues with its House of Lords reform …

ANDREW MARR:  
(over) They’re not linked, are they?

VINCE CABLE:  
No, they’re going to be judged on their individual merits, and we’ll vote on those issues on their individual merits when the time comes.

ANDREW MARR:  
So it would be wrong for Liberal Democrats to use the threat of no reform on the parliamentary boundaries as some kind of retaliation for a Conservative threat to the House of Lords reform programme?
VINCE CABLE:
No, we’re not threatening. It’s not …

ANDREW MARR:
(over) It’s not going to happen?

VINCE CABLE:
We’re working in a businesslike way with our Conservative partners. We disagree with them on certain things, but we get on with things. We’re concentrating on the economy, which is the key area - banking reform - and we’ve in the past found ways of dealing with these issues.

ANDREW MARR:
Yes.

VINCE CABLE:
But those two issues have got to be confronted on their merits and they will be.

ANDREW MARR:
You must be thinking now about how you’re going to handle the period before an election. Do you stay absolutely lockstep, shoulder to shoulder, one government right up to polling day speaking with one voice; or at some stage do the parties distinguish themselves and start to act as campaigning different [parties]? How does that happen?

VINCE CABLE:
Well I’ve always believed from the very beginning that although you work collaboratively with another party in the national interest to deal with the economy - that’s basically what we’re doing - we’ve got to maintain our distinctive identity and values, and I and my colleagues have been trying to do that; we’ll continue to do it.

ANDREW MARR:
And so how does that happen in the run … I mean will you be a cabinet member speaking with one voice as a member of the cabinet right the way up until the
campaign itself starts? Or is there a process of gentle disengagement beginning to happen or going to happen?

VINCE CABLE:
Well I can’t describe the end game as it were of this parliament. We’ll have to work that through when we get to it and there are lots of ways of dealing with it. I mean what we need to do is to deal with the problems of the moment, which are very, very acute.

ANDREW MARR:
Yes.

VINCE CABLE:
I mean we’re in the middle, still in the middle of a very profound economic crisis. That’s why I came into the government and we’ve got to work with our colleagues to sort these problems out. And there are issues around the budget and making sure we get budget discipline, getting growth going, sorting out the banking crisis. That’s top of my priority list.

ANDREW MARR:
And quite a lot of what you’ve been saying about the banking crisis and about growth is very similar now to what the Labour Party is saying. Do you have contacts, do you have conduits still into the Labour Party? Do you think it’s possible that you would be in coalition with them after an election?

VINCE CABLE:
Well if there is an overlap in terms of thinking, that’s surely a good thing …

ANDREW MARR:
Yes.

VINCE CABLE:
… because if you’re a business wanting to plan ahead for the long-term, you want to
know that when there’s a change of government everything isn’t going to be torn up. So I’m very much in favour of trying to develop a consensus approach to the big issues of the day.

ANDREW MARR:
And are you going to go into an election with a completely open mind about who you would work with afterwards?

VINCE CABLE:
Well my view has always been that we’re a fully independent party. We’ll be competing at the next election on our own merits, Liberal Democrats - partly on our record in government, partly on our distinct value. We don’t have any preconditions about who we’re going to work with afterwards.

ANDREW MARR:
You may have heard Ed Balls saying some strong things about Bob Diamond’s likely takeaway package from Barclays. What do you feel about that?

VINCE CABLE:
Well I think in view of what’s happened, I would sincerely hope that the board of Barclays take a fairly strict view about all of this. But rather than just picking off individual examples …

ANDREW MARR:
Sure.

VINCE CABLE:
… I mean we’ve got to deal with this systematically. And what I’ve done is introduced legislation into parliament in the last couple of weeks which actually deals with executive pay as a whole and very specifically deals with exit payments, so that in future you know companies will have to have their exit packages, their so-called golden parachute arrangements voted on in advance by their shareholders, and they will not be allowed to go against that.
ANDREW MARR:
But as things stand, just to be clear, if Bob Diamond walks away with £16 million, there’s nothing you can do about it, is there?

VINCE CABLE:
There isn’t anything government can directly do about it, but I think in view of the shame that’s already been heaped on Barclays Bank, I would be very, very surprised if the chairman and the board were to allow another outrage to occur.

ANDREW MARR:
Alright. Vince Cable, thank you very much for now for joining us this morning.

INTERVIEW ENDS