INTERVIEW WITH:
DANNY ALEXANDER, CHIEF SECRETARY TO THE TREASURY

ANDREW MARR: I'm joined by the Lib.Dem’s man at the Treasury, Chief Secretary, Danny Alexander. Welcome back.

DANNY ALEXANDER: Morning.

ANDREW MARR: Mr Alexander, free school meals, a core offer from the Liberal Democrats, that’s funded just until 2015; so what happens to it after that.

DANNY ALEXANDER: Well after 2015 ‘16, there is a total amount of spending but because we haven’t allocated departmental spending totals after 2015 ‘16. It sits within the overall amount of money set aside. (interjection)

ANDREW MARR: But it’s not funded.

DANNY ALEXANDER: It’s funded within that overall total of government spending. It’s a permanent commitment that’s been made by this government,

ANDREW MARR: but to be clear....

DANNY ALEXANDER: to be sure that every child in the 1st three years at school, has a free meal. Not just because it’s a good thing for those children’s education but it also helps their parents and some of their financial pressures as well... (overlaps)

ANDREW MARR: I’m sure it is a good thing, but none the less it’s not funded in the sense that you’re going to have to make cuts elsewhere to carry on paying for it, after 2015.

DANNY ALEXANDER: Well, there will have to be further measures taken to balance the books in 2016 and 2017, as we get towards the target of dealing with the structural deficit by 2017 ‘18. That will include funding a whole range of things that departments have to do. None of those things currently have spending totals set out for them at the moment, but it’s a commitment that’s been made throughout that period and look, as a Liberal Democrat, I would like to see some of those decisions made by raising taxes on the wealthiest in this country as well as through spending reductions.
ANDREW MARR: Do you agree with Neil Kinnock about a 50p tax rate for the rich.

DANNY ALEXANDER: No, I don’t agree about that. We debated that actually at our party conference in September. We don’t agree that we should go back to a 50p rate. We would like to see, for example, a Mansion Tax.

ANDREW MARR: (overlaps) ... raise very much. That’s your problem.

DANNY ALEXANDER: It would raise a £1.5 £2 billion pounds a year. That would be a useful contribution. There are other measures we could take on the wealthy as well. The point is that the further steps we take as a country, don’t all have to be met through further spending reductions. (interjection)

ANDREW MARR: George Osborne says of course, he wants it all to come from spending reductions. If you do that, the cuts are going to be huge because you can’t save money on pensions, you can’t save money you said you weren’t on the National Health Service or Schools. It doesn’t leave very many targets. It looks like, for instance, local authority budgets would have to be absolutely massacred to make the sums add up.

DANNY ALEXANDER: Well of course, we took the decision, I took the decision in this Autumn Statement to protect Local Authority budgets, for example we didn’t reduce their budgets by 1%, as we did with central government, we’ve actually given Local Authorities more money in this Autumn Statement, particularly to build more council houses in this country because we need to see more social house building going on around the country.

ANDREW MARR: How do you make those cuts because looking ahead at the numbers, you have to make very, very deep and substantial new cuts to achieve that balanced budget in the next parliament, that George Osborne wants.

DANNY ALEXANDER: Well look, there have to be further savings, you’re quite right and the decision which we’ve taken in this autumn statement is that we’re not going to use the benefits of growth in terms of lower deficits so our debt, starting to fall more quickly than previous forecasts to spend that money, because we need as a country to make sure we balance the books. I’ve made those savings by, as I said, asking the wealthy to pay a bit more in taxation, by making central government more efficient and of course, there are things that, for example – things that are happening at the moment, that we might want to reverse as a Party. You know the Liberal Democrats don’t support, for example, a tax break for married couples or a tax penalty for the unmarried, as Nick Clegg rightly described it. So, there are some things as a Party, I’m sure we’ll go in to the ... (interjection)

ANDREW MARR: You’re starting to distance yourself just a little bit more from the Conservatives at the moment, aren’t you.
DANNY ALEXANDER: Well I’d say that there are big differences between our Parties. We want to have both a strong economy and a fair society. We think that you need the Liberal Democrats to keep the country in the centre ground so you can have both. Labour, we saw this week from Ed Balls, couldn’t deliver a stronger economy, that’s why no one trusts them on the economy. But I don’t think the Conservatives by themselves could be trusted to deliver fairness in this country either.

ANDREW MARR: So when it comes to the rich, beyond the Mansion Tax, what else can you or would you do.

DANNY ALEXANDER: Well, we had a set of proposals at our Party Conference this autumn, it included a Mansion Tax, it also included measures on Capital Gains Tax, to better align that with Income Tax, for example. Obviously, we’ve done a lot in this autumn statement on tax avoidance. I think there’s more we could do there, particularly from large corporations, so I think there’s quite a lot more that we can do on the tax side. But of course, I acknowledge, there has to be further spending restraint too.

ANDREW MARR: And on that, in a future coalition, with the Conservatives, if that happened, would you rigorously oppose deeper welfare cuts, particularly on household budgets and caps on household welfare and so forth.

DANNY ALEXANDER: Well look, I think that there does have to be, there will have to be further welfare reform. That’s why I am such a strong supporter of the universal credit, where we’re moving ahead with our clients to deliver that ... (interjection)

ANDREW MARR: ... (overlaps) ... terrible trouble.

DANNY ALEXANDER: Well, I’d say actually the universal credit, there have been a few difficulties over the last few months but actually now what we’ve got is a realistic plan, for what is the largest reform of our welfare system that we’ve seen since the welfare system was created in this country. It’s quite right that the government should take that a realistic pace.

ANDREW MARR: Removing housing benefit from young people.

DANNY ALEXANDER: I wouldn’t support that, as a Party we’ve not supported that. In this parliament it’s not going to be part of our proposals at the next election. We’ll come forward with our own proposals on welfare but what I do strongly support is what we, as a coalition have announced, which is that there should be a cap on overall welfare spending, so that governments have to be accountable when costs and welfare rise. Rather than just allowing those things to rise as if it’s not anyone’s responsibility and the consequence being, as you say, that departmental budgets get squeezed further.

ANDREW MARR: Let me ask you about something else which I’ve been asking politicians about for a while now and nobody seems to be worried about it, which is, personal household debt. Two trillion it’s heading towards
and massive historically, a huge overhang of debt over the economy. Are you concerned about that?

DANNY ALEXANDER: Well of course I’m concerned about that. That’s why ...

ANDREW MARR: It appears that what’s happening at the moment is people are spending more than they’ve got. The recovery is partly because households are spending by borrowing, again. We’ve seen the consequences of that before.

DANNY ALEXANDER: No, you’re right to raise it. Household debt is of course lower than it was a share of the economy before the crisis but look, it’s one of the reasons why we’ve been so firm, that we’ve got to stick to the plan we’ve set out because the only way in the end to sustainably increase people’s living standards, which is what we all have to do, is to have a recovery on firm foundations. But in the meantime, we’re able to take action, like cutting income tax for example. A big commitment by Liberal Democrats to a £10,000 tax free allowance, so that 26 million working people, next year, will be £700 a year better off because of the Lib Dems in government.

ANDREW MARR: Meanwhile, we’re all tightening our belts with MPs getting their 11% increase. Are you going to take it and do you support it.

DANNY ALEXANDER: Well, I think most people will find it utterly incomprehensible that at a time of pay restraint for the public sector, at a time of further squeezes on government spending, that IPSA should be recommending, if that’s what they do. I think it would be wholly inappropriate for MPs to get such a large pay rise at a time when every other public sector worker, sees their pay raises capped at 1%. We don’t know what IPSA has recommended yet. I’ve said in the past that of course, personally, I wouldn’t accept it ... (interjection)

ANDREW MARR: (overlaps) ... can you do anything about it as a government.

DANNY ALEXANDER: Well, IPSA is independent. We’ve made a very strong submission to IPSA, making precisely the point I’ve just made that it wouldn’t be appropriate at a time of wider public service pay restraints to go forward with this.

ANDREW MARR: Can you have a vote to as it were stop it though

DANNY ALEXANDER: Well, IPSA was set up to be independent, precisely because people didn’t want MPs setting pay and pensions .... (interjection and overlaps)

ANDREW MARR: Right, you can hand yours back but you can’t do a general hand back. You can’t make other MPs hand back.
DANNY ALEXANDER: There’s certainly no power in the legislation to do that. But look, IPSA haven’t made their recommendations yet. We don’t actually know what they’re going to recommend and my point would be, even at this late stage, that IPSA should recognise ... (interjection)

ANDREW MARR: Think again.

DANNY ALEXANDER: The wider climate of Not just of public opinion but more importantly, the wider, economic climate and the wider climate of people’s living standards. That’s what they should have in mind when setting this decision.

ANDREW MARR: Danny Alexander, thank you very much indeed for joining us today.

END OF INTERVIEW WITH DANNY ALEXANDER