THE ANDREW MARR SHOW

INTERVIEW:

GEORGE OSBORNE, MP

CHANCELLOR OF THE EXCHEQUER

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Headlines:

- The Chancellor dismissed Ed Miliband’s argument for blacklisting nations without a central tax register, saying, “…the Labour Leader is simply not fit for office because he does not think through the consequences of his anti-business, anti-enterprise and anti-our partners abroad policies”.

- On cuts to social care, Mr Osborne insisted they were necessary in the short term, saying, “You cannot have a great National Health Service, you can’t have care for the elderly…you can’t have strong national defence if you don’t have a secure national economy. If you’re not fixing the country’s economic problems…you are exposing yourself to a whole load of social problems in our country”.

- The Chancellor said a Greek exit from the Eurozone could potentially harm the UK economy citing instability in financial markets.
ANDREW MARR:
Now then, one of the big announcements in George Osborne’s last budget was the creation of pensioner bonds – special high interest savings for products for the over-65s – and when the bonds went on sale last month, not surprisingly there was a stampede to buy them. All savers have been hit by low interest rates, however, so was this another case of helping the age group which just happens to be the most likely to vote come the election? Chancellor, that is the charge against you, and what are you going to do about pensioner bonds because, as I said, there was a huge rush, sites crashed, lots of people were frustrated, lots of people couldn’t get their hands on them?

GEORGE OSBORNE:
Well, first of all, good morning.

ANDREW MARR:
Good morning, yes of course.

GEORGE OSBORNE:
Look backing savers is part of our long-term plan and our 65-plus pensioner bond has been the most successful saving product this country has ever seen. Over 600,000 pensioners …

ANDREW MARR:
(over) Well not surprisingly.

GEORGE OSBORNE:
... have benefited from it, and what I can confirm today is we’re going to guarantee that it remains on sale for another three months because this government backs savers, supports people who do the right thing and is fixing what went wrong in our economy.

ANDREW MARR:
But what that means is that every other taxpayer is subsidising savings by a group of people who are over 65 and have the cash to go into these schemes, so it does seem to
be unfair to a lot of people. It’s been called “reverse social engineering”.

GEORGE OSBORNE:
Well we need to support savers in our economy. It’s one of the things that went badly wrong in Britain ten years ago and one of the things we’re trying to fix in our country. It’s why I’ve also (to help low income savers) abolished the tax rate that Labour introduced, the 10p tax rate that they introduced on savers. So I’m taking these measures and, look, I think you’ve got to see this in the context of an economic plan where there have been very low interest rates to support the economy during this difficult period that has hit savers. I think it’s perfectly reasonable for a chancellor to say I want to support savers specifically …

ANDREW MARR:
I accept that.

GEORGE OSBORNE:
… and that’s why, as I say, today we’re saying this 65-plus pensioner bond, which has been enormously popular and successful, is going to stay on sale for another three months.

ANDREW MARR:
So in terms of actual hard cash, how much more is going to be available for this?

GEORGE OSBORNE:
Well we’ve set aside £10 billion of government financing for it. That’s not what it costs; that’s the money we seek to raise through retail investors at home rather than international bond markets. We’re saying it’s going to be available for the next three months. We estimate that there’ll be around another £5 billion, but that’s just an estimate. What I’m guaranteeing is that it will be available for the next three months.

ANDREW MARR:
So the cost is the extra interest rate that you are guaranteeing. How much is it going to cost the rest of the taxpayers to do this?
GEORGE OSBORNE:
Well it’s a kind of opportunity cost, but it’s around … it’s several hundred million pounds over a period of months, part of a savings policy that fixes what goes wrong in our economy that’s part of our long-term economic plan.

ANDREW MARR:
And why should relatively poor working age voters spend that kind of money to help pensioners who have extra money already to invest?

GEORGE OSBORNE:
Well I’ve explained. First of all …

ANDREW MARR:
Because they vote?

GEORGE OSBORNE:
No, no. It’s important we back savers in our economy. By the way many, many of these pensioners do not have large sums of money.

ANDREW MARR:
Sure, sure.

GEORGE OSBORNE:
They have relatively small savings. They’ve had these very low interest rates. That’s been a deliberate act of government policy, working with the Bank of England. We’ve actually had activist monetary policy to keep interest rates low. We’ve had special programmes to help people buy a home, for example, through Help to Buy. I think it’s also important we help people who are hit by those low interest rates, if you like – those are the savers – and the 65-plus pensioner bond is a demonstration of our commitment alongside the other action we’ve taken to support savers like abolishing the 10p tax rate on savings, like the new freedoms for pensions which come in …

ANDREW MARR:
(over) There’s been a lot for pensioners, there’s been a great deal for pensioners. They
are the group most likely to vote and this particular group have the ex… They may not be rich, but they have the extra money by definition to invest, so they are in a sense your kind of people that you’re helping. And that came up again in a different context in Prime Minister’s Questions. I want to ask you about the hedge fund managers who are pouring so much money into the Conservative coffers at the moment. Ed Miliband raised this again and again at PMQs. And you gave a special tax cut to hedge funds in the 2013 budget and a lot of people say the Tories go on and on and on about trade unions backing the Labour Party. Hedge fund managers are backing you in exactly the same quid pro quo way, aren’t they?

GEORGE OSBORNE:
First of all, no one buys policy in the Conservative Party – unlike the Labour Party – and that is a massive difference. You know our donations - made from many, many thousands of private individuals across the country – do not buy influence over policy in the same way that the unions buy influence over Labour Party policy. But let me look specifically address this issue of financial services. Financial services is an incredibly important industry for this country. There are hundreds of thousands of people working in places like Birmingham, Manchester, Leeds, Edinburgh in this vital industry. So we want a successful financial services industry, but I have been the Chancellor prepared to tackle abuse in this sector and …

ANDREW MARR:
Your party has taken £47 million from hedge funds over the last few years and in the 2013 budget – a time when schools were crying for money, hospitals were crying for money – you chose to give hedge funds a big tax cut. A lot of people think that’s a very strange thing to do.

GEORGE OSBORNE:
No, no, no, the measure you’re referring to actually explicitly didn’t apply to hedge funds. What I did do in the budget was apply an additional tax on hedge funds – i.e. tackle …

ANDREW MARR:
(over) I’m talking about the stamp duty.
GEORGE OSBORNE:
Well I tackled the abuse of partnerships in hedge funds. That raised £2 billion. The measure you’re referring to that Ed Miliband raised was actually legislated for by a Labour government, extended by Ed Balls when he was the city minister. And this is the …

ANDREW MARR:
(over) And then extended by you.

GEORGE OSBORNE:
No, we have not extended it. What I’d just say, Andrew, the hypocrisy here … When I came to office, there were bankers paying lower tax rates than the people who cleaned for them; foreigners didn’t pay capital gains tax; rich people didn’t pay stamp duty on the homes they bought. We have tackled all of those things. It was David Cameron who put tax avoidance at the top of the G8 agenda. Labour was the tax avoider’s friend. We have tackled that. It was wrong and we have put it right.

ANDREW MARR:
So do you now support what Ed Miliband was saying this week about British dependent territories being put on a blacklist?

GEORGE OSBORNE:
Well, first of all, we have insisted these overseas territories automatically exchange tax information with us. But actually if you want a microcosm of why the Labour Leader is unfit to be Prime Minister, you look at his announcement. He says he wants to put on some blacklist countries that don’t have a central register. Now Britain is having a central register because David Cameron and myself wanted Britain to have one. Country …

ANDREW MARR:
(over) We’re talking about places like the British Virgin Islands and Guernsey and so forth.

GEORGE OSBORNE:
(over) No, I’ll tell you what we’re talking about. The countries that would be hit by
Ed Miliband’s policy would be the United States of America, France and Germany. So the new British Prime Minister would turn up in Washington and say “I’m blacklisting your country.” He’d then go to Brussels …

ANDREW MARR:
(over) No I think all he was saying is British dependent territories should be blacklisted if they are tax havens.

GEORGE OSBORNE:
(over) He said … I think he makes it up as he goes along and if you actually look at what he’s saying, he’s saying he wants to blacklist almost every country in the OECD because they don’t have these central registers. Britain is leading by example, it is having these central registers, it is insisting that its overseas territories transparently share information with us. But the Labour Leader is simply not fit for office because he does not think through the consequences of his anti-business, anti-enterprise and anti-our partners abroad policies.

ANDREW MARR:
So if you’re so tough on the hedge fund managers, why do you think it is that more than half of your leading donors are hedge fund managers?

GEORGE OSBORNE:
We receive donations from across the country. We’re getting at the moment over 4,000 donations a month through our internet site, from …

ANDREW MARR:
(over) The money is pouring in, yes.

GEORGE OSBORNE:
… from people across the country. My own local party has got almost 100 new members in the last few months alone. So we get support from a wide range of people, but you know support from business, by the way, shows that we have an economic policy that works. One thing we’ve learnt …
ANDREW MARR: 
(over) Let’s move, if we may, straight onto the economic policy. The IFS in its Green Budget this week suggested that there needed to be more than £50 billion of cuts to departmental budgets if you were going to meet your targets during the next parliament. Is that a number you recognise?

GEORGE OSBORNE: 
Well we believe there is a £30 billion additional consolidation …

ANDREW MARR: 
(over) Why not £50 billion?

GEORGE OSBORNE: 
Well partly because we’ve already set out £13 billion of savings required in the coming financial year. They’re identified, legislated for and going to take place. There’s a £30 billion required on top of that and we’ve said you need to get £13 billion from government departments, you need £12 billion of savings in our welfare budget so we have a welfare system our country can afford, and we need a further £5 billion of measures to tackle tax avoidance and tax evasion and all that, so that we make sure that the rich continue to pay the most.

ANDREW MARR: 
(over) So what is the figure that you end up having to squeeze out of departmental budgets?

GEORGE OSBORNE: 
Well, as I say, the additional savings required are the £13 billion of savings.

ANDREW MARR: 
Only 13? Not 15, but 13?

GEORGE OSBORNE: 
Well, as I say, our package requires £30 billion for consolidation …
ANDREW MARR:
Yes.

GEORGE OSBORNE:
… and of that £13 billion needs to come from the government departments. By the way, we have shown in this parliament …

ANDREW MARR:
(over) So you’re taking …

GEORGE OSBORNE:
… that you can achieve that … What I’m saying is not we need to go faster, nor that we need to go slower. We need to go on working through our long-term plan because in a very uncertain world, with a lot of instability and risk abroad, we need stability and certainty at home.

ANDREW MARR:
You have to take a lot of money out of non-protected departments and we were talking earlier on in the programme about defence in particular. Can you say that defence will be ring-fenced because if you can’t a lot of people in the defence sector think that we are, as General Sir Richard Shirreff put it, waving a tiny little stick around in the world; we are losing a huge amount of influence and we are not the country we ought to be or used to be?

GEORGE OSBORNE:
Well, first of all, I don’t accept that. I think Britain is hugely influential in the world. We are a huge contribution to the operation against ISIL in Iraq. We …

ANDREW MARR:
(over) Well that’s not what the MPs say.

GEORGE OSBORNE:
Well look at the contribution we’re making to tackle Ebola in West Africa, look at the huge humanitarian effort we’re providing to deal with the crisis in Syria. You know
our influence …

ANDREW MARR:

(over) We have three people, three military people in Iraq outside the Kurdish area …

GEORGE OSBORNE:

Well …

ANDREW MARR:

… and the Australians have got hundreds, you know other countries are pouring in money.

GEORGE OSBORNE:

(over) No, no, no.

ANDREW MARR

Seven per cent of the attacks on ISIL from the air have been British. That is not the kind of contribution that a lot of people thought that we would be making.

GEORGE OSBORNE:

Well, first of all, we after the Americans are the second largest contributor to the air strikes. We’ve also got 500 people supporting that operation. Now are you saying we don’t have hundreds of British soldiers on the ground in Iraq? The answer is no we don’t because actually we’ve learnt our lesson, this government, and we’re not going to repeat the mistakes of our predecessors.

ANDREW MARR:

Alright, so … but you can’t say that we’re going to ring-fence the defence budget if the Conservatives win majority in the next parliament?

GEORGE OSBORNE:

No, Andrew, what I’d say is this. First of all, you cannot have strong national defence without a strong national economy. The two go hand in hand.
ANDREW MARR:
And one has to pay for the other.

GEORGE OSBORNE:
Well we have taken very difficult decisions to fix the defence budget, to sort out the black hole that existed in that budget, to fund the latest generation of aircraft carriers, of strike aircraft, of hunter killer submarines, to make sure our soldiers have the best equipment. We actually have made a commitment over the coming years that that defence budget for equipment should go up in real terms. We have made that commitment.

ANDREW MARR:
And are we going to hit our 2 per cent NATO target over the next two years?

GEORGE OSBORNE:
Well we are currently hitting that target.

ANDREW MARR:
We are currently. I’m talking about the next parliament.

GEORGE OSBORNE:
Well I’m not going to prejudge our defence review …

ANDREW MARR:
(over) Well that’s the point.

GEORGE OSBORNE:
... but people know that we care about our nation’s security and defence because we’ve invested in the latest equipment. People know we have met the 2 per cent commitment and are meeting it today.

ANDREW MARR:
What about social care for people at home because the NHS crisis, so-called, is really a social care crisis? Huge numbers of people who need to be kept … who could have
been kept at home in their homes being looked after by carers and so forth end up in A&E, end up in hospitals, block the hospitals, and part of the reason for that is the huge crunch on the budgets of local councils to provide care. That’s going to get worse, is it not, with another five years of your government?

GEORGE OSBORNE:
No we are bringing together the health and the social care system in a way that was never previously achieved.

ANDREW MARR:
But cutting the budgets?

GEORGE OSBORNE:
We’re achieving this better … Look …

ANDREW MARR:
(over) You’re cutting …

GEORGE OSBORNE:
… I’ll make a broader point. You cannot have a great National Health Service, you can’t have care for the elderly …

ANDREW MARR:
(over) But it’s reasonable to …

GEORGE OSBORNE:
… you can’t have strong national defence if you don’t have a secure national economy. If you’re not fixing the country’s economic problems …

ANDREW MARR:
(over) But also you need …

GEORGE OSBORNE:
… you are exposing yourself to a whole load of social problems in our country. The two go hand in hand. They are not either/or.
ANDREW MARR:
As long as you carry on funding these things, which is my point.

GEORGE OSBORNE:
Well we have to …

ANDREW MARR:
And looking at your plans going ahead, it seems to a lot of people that the Department for Communities, for instance, must be an absolute target for deep cuts next time round because everything else is protected, and that is where social care comes from and that is going to be a real problem for a lot of people watching this programme – including pensioners.

GEORGE OSBORNE:
We’ve actually put more money into a better care fund which brings together social care and the National Health Service. We have a really smart plan now for the NHS, produced by the NHS itself, which we support – the so-called Simon Stevens Plan. That’s all about trying to get care into our community, take …

ANDREW MARR:
(over) And local authorities would be properly funded for this?

GEORGE OSBORNE:
… take the health service into the local communities to make sure that you aren’t getting these two systems – the social care system and the National Health Service – rubbing up against each other. That’s smart reform getting value for money and we can go on having brilliant healthcare.

ANDREW MARR:
(over) So the local authorities would be properly funded to allow this to happen? Local authorities would be properly funded to allow this to happen?

GEORGE OSBORNE:
Well local authorities, like other parts of our government, of course have had to take
difficult decisions, but the alternative is you can’t support your public services because your economy fails, people become unemployed. I mean one thing we’ve learnt over the last couple of weeks from our opponents – and there is a choice in this General Election – is not only do they not have a plan for the deficit (we knew they didn’t have that) they don’t have a plan to grow the economy because they’re attacking the very businesses that create the jobs that pay the revenues to support the National Health Service, to support social care, to support our defence. You know you can’t separate the economy from the other issues in our country.

ANDREW MARR:
(over) Alright, let’s move on. I don’t want to spend too much time talking about the Labour Party because they get their chance to have a go at … But I do want to talk about one other economy which is in deep, deep trouble, which is Greece. You met the new Greek Finance Minister in his splendid leather coat and open-necked shirt and all the rest of it. A) what did you make of him? And what’s your message to the Greeks and the Germans in their head to head confrontation?

GEORGE OSBORNE:
Well the Greek Finance Minister is clearly an intelligent man who cares passionately about his country, but the truth is that this standoff between Greece and the Eurozone is increasing the risks every day to the British economy. That’s why I’m going tomorrow to the G20 to encourage our partners to resolve this crisis. It’s why we’re stepping up the contingency planning here at home. We’ve got to make sure we don’t at this critical time when Britain also is facing a critical choice add to the instability abroad with instability at home.

ANDREW MARR:
Do you think the best outcome would be for Greece to leave the Eurozone?

GEORGE OSBORNE:
I think Greece … Obviously it’s a decision for the Greek people, but Greece has chosen to stay in the Eurozone and has worked hard to stay in the Eurozone, and frankly a Greek exit from the Eurozone in my view would have very serious consequences not just for Greece but it would have …
ANDREW MARR:
(over) Is it the kind of thing that could derail our recovery?

GEORGE OSBORNE:
Well I think if Greece left the Euro, that would create real instability in financial markets in Europe. I don’t think, although we’re in a much better place than we were a couple of years ago in terms of Europe’s exposure to Greek banks and the like, I think frankly a Greek exit would cause real ructions. That’s why we’ve got to avoid this crisis getting out of control. It’s why we’ve got to make sure that, as I say, we have an international effort to resolve the stand-off; that here in Britain we step up our contingency planning to prepare for whatever is thrown at us, and above all we go on working through our own long-term plan so we are better insulated from these risks. And again that is all at risk itself in this General Election in just three months’ time.

ANDREW MARR:
You’re clearly enjoying the job as Chancellor. It’s been said that you’d like to stay on partly so that you could negotiate with the European Union head of referendum if you win the next election. Do you think we could see that referendum in 2016 rather than in 2017 as has been talked about?

GEORGE OSBORNE:
Well actually David Cameron was on this programme at the beginning of this year …

ANDREW MARR:
(over) Implying that, yes.

GEORGE OSBORNE:
… and said he’d be delighted if we could include those negotiations sooner. But we’ve set the end of 2017 as the deadline. The essential issue here – and again it’s something at stake in this General Election – is do we want to change our relationship with Europe, do we want a Europe (including a Britain) that is job creating, that is opportunity creating? Do we want to make sure that non-Euro members like Britain have a fair relationship with the Eurozone? And do we want to make sure that Britain has a choice, the British people have a choice in a referendum? And you only get that
from David Cameron and from the Conservatives in this election.

ANDREW MARR:
And just briefly, however, presumably having an earlier election would lessen the period of instability and uncertainty ahead of that referendum, which as Chancellor would be a good thing?

GEORGE OSBORNE:
Well I don’t accept that offering a referendum has increased instability because we’ve received a huge amount of investment from around the world since we set out our policy. Actually business and investors are the first people who say we want a more competitive European Union and a more competitive Britain within that European Union.

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

INTERVIEW ENDS