ANDREW MARR:
After a week when the government reshuffles dominated the headlines, it’s now Labour’s turn to set out their agenda for a new political term. Unlike the coalition government, no dramatic changes in personnel, but there is a new focus for the party’s economic policy - something they’re calling “pre-distribution”, which seems to mean ensuring that people are better paid rather than giving them tax credits afterwards. So is this even remotely achievable and who controls the Labour policy these days anyway? I’m joined by the Shadow Chancellor Ed Balls.

ED BALLS:
Good morning.

ANDREW MARR:
Welcome. So pre-distribution is finding ways to force or persuade companies to pay more than the minimum wage. Yes?

ED BALLS:
I think it’s a bigger idea than that.
Okay.

ED BALLS:
It’s a bigger idea and, as Ed said last week, it’s a big idea looking for a good name or label because I’m not sure pre-distribution’s going to quite do it on the doorstep.

ANDREW MARR:
We can agree with that then, yeah.

ED BALLS:
But what it says is the way government invests and manages the economy can have a really important long-term impact upon growth and wages and fairness. To give you one example, people are struggling at the moment because childcare’s more expensive, harder to get. If we can invest in childcare, which makes it easier for people to get out to work and get skills, that improves their work chances, improves their wages, improves our economy. The same thing is true around educational support for staying on at school at sixteen. It’s also the case that in the last Labour Government, we didn’t do enough when there was un-skilled migration to control that, but also to say that through things like agency workers to stop the overt casualisation of the labour market, to stop the downward pressure on wages …

ANDREW MARR:
Okay.

ED BALLS:
… all things if you get the right intervention, you can make the economy stronger and fairer, grow more, but also have more wages and jobs.

ANDREW MARR:
But let me, let me just come back to the very specific notion of making companies somehow pay more than the minimum wage. The question is in the real world, how do you possibly do it? And if you’re successful, doesn’t that make it harder to turn a profit and actually endanger companies too?
ED BALLS:
But the way we make companies pay more in law is the national minimum wage. Labour introduced it, opposed by the Conservatives.

ANDREW MARR:
(over) But you’re suggesting something else, you’re suggesting something new.

ED BALLS:
And we made huge progress in the last parliament by adding to that tax credits to boost earnings in work and to tackle child poverty. But …

ANDREW MARR:
And you’re saying the money for that way of thinking is no longer there?

ED BALLS:
No, it’s going to be part of the thinking, but the question is can you do more? We’ve said in some places local authorities are leading the campaign to have a living wage where voluntarily they pay more than the minimum wage. As a good campaign, we want to challenge companies to do that. We’re not going to legislate for that. The minimum wage does that job. But actually what matters is what are the actual wages people are being paid, and that depends upon their skills. But it also …

ANDREW MARR:
(over) So I come back to …

ED BALLS:
(over) … depends on how the labour market works.

ANDREW MARR:
I come back to the mechanism of how you actually do it. And what it says, if you start to talk about a living wage, what does that say about the minimum wage? Does that mean that the minimum wage is a starvation wage?

ED BALLS:
Well the reason why we have the minimum wage and tax credits is to boost incomes in work. And there are lots of people on a minimum wage who are doing second earning jobs in much higher income households, but people are also struggling on wages higher than the minimum wage if they are the sole earner in the household.

**ANDREW MARR:**
Sure.

**ED BALLS:**
You can partly solve that through tax credits, that’s part of the answer, but you’ve also got to get to the underlying wage distribution. If you’ve got unskilled migration, which we’ve had in the past and still have now pushing downward pressure, you have a lack of proper support. I think we should …

**ANDREW MARR:**
*(over) You are going to cut immigration? Yes?*

**ED BALLS:**
Yes, we should control unskilled migration more than we did.

**ANDREW MARR:**
So you are going to cut immigration?

**ED BALLS:**
And the government’s not cutting immigration. It’s going up and that’s an issue.

**ANDREW MARR:**
*(over) And you’re going to find some way of persuading many companies to pay people more, but I’m still not clear what that way might be.*

**ED BALLS:**
Well, look, in the end, taking a twenty, thirty year view of our society, if you carry on having lots of people without skills, apprenticeships and a way to earn decent wages, and if you have an economy which doesn’t deliver high skill, high wage jobs, as a
country we’ll be impoverished and divided. It’ll be a big challenge.

**ANDREW MARR:**
(over) People can hear that you don’t know … you’re not telling me how you’re going to make companies do that.

**ED BALLS:**
But, Andrew, I told you we’re not going to do that. We have a national minimum wage, which is about legislation …

**ANDREW MARR:**
Okay.

**ED BALLS:**
… but then we also need to say to companies can you do more to persuade people on the living wage. And also to say a labour market which works in a short-term, casualised way, without the minimum wage being enforced, doesn’t work; it’s not fair.

**ANDREW MARR:**
Alright.

**ED BALLS:**
I mean at the moment we have the government saying get rid of the Gangmasters legislation. Gangmasters legislation is to stop labour coming in in an exploited way to uncut decent, hardworking people. That’s an important policy.

**ANDREW MARR:**
Well let’s turn to another issue, which you raised recently. Are you a convert to what has been called “a mansion tax”; or, if not exactly a mansion tax, a new tax on high value properties and wealth that can’t be moved around?

**ED BALLS:**
It’s one idea that Vince Cable has proposed and I say, yes, let’s look at that. At the
moment we have a government raising taxes on pensioners and cutting the top rate of tax. That is perverse and unfair. I would …

ANDREW MARR:
(over) Do you think … Sorry, do you think, going back to something that Nick Clegg said, do you think that the wealthy - to put it that way - are paying their fair share at the moment?

ED BALLS:
I don’t think … I don’t think anybody thinks it’s fair that the wealthy see their taxes cut on the top rate while pensioners and families are seeing their taxes increased in a way which is actually making it harder for them to go out to work. The top rate of tax cuts should be reversed. We should look at Vince’s proposal for a wealth tax, but there is also an immediate imperative right now. Look, I’ve been on your programme many times and it’s important to say this. For two years, we’ve debated was George Osborne’s plan going to work. It’s failed. We now know on the latest figures borrowing is not falling. It’s rising because of the double dip recession. And we’ve got to act now. A mansion tax is a long-term reform. Right now, let us kickstart this economy. And Vince has had ideas about that in the past. I want to work with him n that too and we’ve got to say to George Osborne look, stop digging a deeper hole …

ANDREW MARR:
But do you …

ED BALLS:
… stop being so arrogant when your plan has failed.

ANDREW MARR:
Well do you accept, however, that you are living in a new world where you’re trying to kickstart the economy, but you can’t do it with major injections of new money because it ain’t there - partly because of all the borrowing during the Labour years?

ED BALLS:
No and I have to say, Andrew, economically that is a deeply, deeply incoherent point to make to me when the economy’s in double dip recession and borrowing under George Osborne is rising by a quarter compared to last year because people are out of work and the economy’s not growing.

ANDREW MARR:
Which is what happens when the economy goes down. What I’m saying to you is …

ED BALLS:
(over) Exactly, but the economy … but the economy’s gone down because of George Osborne’s policies.

ANDREW MARR:
But you don’t have, nobody has, no politician has the old-fashioned Keynesian levers to push money back into the economy and reflate it that way. That’s what I’m asking you.

ED BALLS:
That is untrue.

ANDREW MARR:
That’s not true. So there is still money for a big fiscal boost?

ED BALLS:
That is the economic incoherence of George Osborne and David Cameron, which Vince before the election railed against and we have railed against since. Businesses are saying we need to …

ANDREW MARR:
(over) So you would be spending more money now?

ED BALLS:
We need to kickstart this economy, cut VAT to 5 per cent. Don’t just fiddle with the planning system. Cut VAT on repairs and maintenance for home improvements to 5 per cent. Repeat the bank bonus tax for a house building programme. Cut national
insurance for small firms. Let’s have a temporary VAT cut. You say to me won’t that lead to more borrowing? I say to you George Osborne has raised borrowing by a quarter because his plan has failed because of the double dip recession. We can’t carry on with this.

ANDREW MARR:
(over) So there is going to be …

ED BALLS:
(over) Something must come up. It’s not going to unless you act.

ANDREW MARR:
Okay, so there would be a big fiscal boost under Labour?

ED BALLS:
No, no. No, we need it now! We need it right now.

ANDREW MARR:
But you’re not in power. That’s the problem.

ED BALLS:
Yeah, but …

ANDREW MARR:
From your point of view, you know.

ED BALLS:
Andrew, listen. Look, let me make this point. We’re two years from election. We could wait for two years while we have inter-party or between party bickering in the Conservative Party, between the coalition. That is wrong because we’re doing long-term damage. And what I’m saying to Vince Cable, to Ken Clarke, George Osborne if he’d listen - let us come together and do what needs to be done now to secure this economy for the long-term.
ANDREW MARR:  
Yes.

ED BALLS:  
Get the jobs, get the investment. It’s the only way to get the deficit down, the only way.

ANDREW MARR:  
Apart from the sort of knockabout stuff about the two Eds and whether you’re more macho and you talk over your leader in meetings and all of that …

ED BALLS:  
Which is rubbish.

ANDREW MARR:  
…there are a lot of …

ED BALLS:  
Which is rubbish.

ANDREW MARR:  
You don’t talk over …?

ED BALLS:  
Look, you’ve been talking over me throughout this whole interview …

ANDREW MARR:  
Alright, alright.

ED BALLS:  
… so if we get into that kind of discussion …

ANDREW MARR:  
Okay. But some people are worried that there is going to be a kind of mimicry of the tensions between Gordon Brown and Tony Blair in the old days; that there is
something in the chemistry between the two of you that is not entirely stable?

**ED BALLS:**
Who’s worried about that?

**ANDREW MARR:**
Well I … You know I think …

**ED BALLS:**
Are you worried about that? You know Ed and I very well.

**ANDREW MARR:**
I have no views of any kind, but I’m …

**ED BALLS:**
*(over)* Come on.

**ANDREW MARR:**
… but I’m interested in the fact that Labour MPs and commentators and so on are tal… you know they’re talking about it.

**ED BALLS:**
As I said last Thursday when we were at our press conference, two Eds are better than one. That’s the truth. We are working as a really close team. We’ve seen the Blair-Brown years and we’re not going to repeat that. We share a similar view of what needs to be done. He’s the leader. I’m backing him 100 per cent.

**ANDREW MARR:**
Okay.

**ED BALLS:**
And let me say, Andrew, this idea that good politics is somehow butch or macho, the Cameron view, what a load of nonsense. People don’t get where they get to by shouting loudly or throwing their weight around. It’s all in the end about judgement,
making the right calls. I think I made the right call on the economy, Ed Miliband made the right call on News International. Together - it’s not about macho bullying or treating women badly, we’ll leave that to David Cameron …

ANDREW MARR:
Alright, alright.

ED BALLS:
… - what we’ll do is work together for the interests of the country.

ANDREW MARR:
Okay, let me ask you something else because it’s very interesting listening to you and indeed Ed Miliband talking about the Liberal Democrats. You’re clearly putting out some kind of feelers, not maybe personally or directly, but there’s texting going on, there’s conversations going on. Is it however the case that you couldn't envisage any relationship with the Liberal Democrats so long as they’re led by Nick Clegg?

ED BALLS:
No, I think it’s really really hard. Ed said that, I’ve said that. Nick Clegg made his decisions and the way he’s gone about his politics, I think makes things very difficult. But put that to one said, right now …

ANDREW MARR:
So, sorry, would you see, for instance, Vince Cable as a man you could do business with …

ED BALLS:
(over) Well of course, of course. And I have to say I wish George Osborne would see Vince Cable as a man to do business with and listen to rather than telling the newspapers he’s putting his allies in to try and surround him and hold him back. Vince should be listened to on banking reform, on the economy. And I could work with Vince. I would like the Liberal Democrats to say right now this coalition has failed, it’s flawed, and we’re going to change course. I would celebrate. But …
ANDREW MARR:
(over) So you can see the beginnings of a different kind of coalition politics that involves yourselves and the Liberal Democrats?

ED BALLS:
Look, I want …

ANDREW MARR:
Do you think their instincts are closer to you than to the current Conservatives?

ED BALLS:
Well I think it’s true of many Liberal Democrats, but I don’t think that’s true of Nick Clegg whose instincts are clearly much closer to David Cameron and to George Osborne. But I’m not somebody who’s thinking to myself I want a coalition for the future. I want a Labour majority government elected in 2015. But right now, I want decent people who put the country first and are sensible in their thinking to come together and do the right thing and stop undermining the long-term future of our economy and businesses.

ANDREW MARR:
Okay.

ED BALLS:
And I think Vince is one of those people. I could work with him today.

ANDREW MARR:
And aren’t butch either. Ed Balls, thank you very much indeed.

INTERVIEW ENDS