THE ANDREW MARR SHOW
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INTERVIEW WITH:
DANNY ALEXANDER
Chief Secretary To The Treasury

ANDREW MARR: Now, central to the Coalition is the group, rather sinisterly known not as double cross but as the quad. Alongside the Prime Minister, the Chancellor and Nick Clegg, the Chief Secretary to the Treasury sits on this most important of all the groups that run the government. And Danny Alexander was central to the decisions unveiled in the budget from the cut in the top rate of income tax to the so-called granny tax. Danny Alexander, welcome. Now, the granny tax, so called, was a liberal democrat idea way back. Are you happy to take ownership of that and to go in to the next election as the people who brought in the granny tax?

DANNY ALEXANDER: Well what I’d say to you is the central story of this budget are the massive tax cuts that we are delivering. The largest tax cut for a generation for people on low and middle incomes which came from the Liberal Democrat manifesto. Of course I’m willing to take ownership of all the measures ... (interjection)

ANDREW MARR: Including the granny tax.

DANNY ALEXANDER: ... in, in this budget and of course, if we’re addressing ourselves to the question of pensioners, what I’d also say is there are five million pensioners in this country, the poorest half of pensioners, who don’t pay any tax at all. Every single pensioner this year will benefit from the largest ever increase in the basic state pension and we announced in the budget too that we’re moving towards a single tier pension over the next few years. That’s another Liberal Democrat commitment, like our Citizen’s Pension, which will be paid at the level of £140 a week. (interjection) So I think the net effect on these things, on pensioners is, is positive and in the end you know, we had to make some difficult decisions in this budget because we had such a strong focus on delivering big tax cuts for the working people of this country.

ANDREW MARR: And for the people at the top as well, which we’ll come to.

DANNY ALEXANDER: No, no, Andrew you’re wrong about that. We haven’t cut the taxes for the, for the wealthiest. Overall, the net effect of this budget is to raise five times more from the wealthiest, than the cost of the 50p ... (overlaps) ... measure that you’re referring to.

ANDREW MARR: Can I suggest to you gently, you don’t know that. It’s – this is all guess work about how individuals and their accountants are going to behave over the next few years. There is no way that you can know how much money is going to be taken after the cut from 50p to 45p and what’s going to happen on the Stamp Duty.
DANNY ALEXANDER: Well those figures are all certified by the Independent Office for Budget Responsibility. These are no longer figures ... (interjection)

ANDREW MARR: They're guesses though....

DANNY ALEXANDER: ... as it perhaps was in the past ....

ANDREW MARR: They're guesstimates.

DANNY ALEXANDER: ... where ministers could fiddle the figures to suit their agenda. Robert Chote and his independent organisation have to certify all the numbers in the budget book and look, you know, one of the things that we are doing as a government, alongside cutting taxes for people on low and middle incomes is cracking down on the tax dodging that became endemic frankly under the Labour Party when they were in government. I think people should, people I've spoken to think that a government which is finally getting tough for example on people who dodge Stamp Duty, is a major step forward.

ANDREW MARR: Nobody really knows though what's going to happen. This is a gamble and a guess, based on how people are going to behave and how much tax they're going to pay.

DANNY ALEXANDER: Well I wouldn't describe it in that way. What I'd say is we have had the experts at HMRC looked at independently by the Office of Budget Responsibility, looking at the independent academic evidence around these things, taking what the OBR themselves describe as a reasonable and central estimate of the yield of these measures. I think in the end, a budget which increases taxes overall on the wealthiest, which cut taxes for people on low and middle incomes, is a good budget for this country, addresses the fact that working people are under pressure in this country at the moment, and this Coalition Government, and it comes from the Liberal Democrat Election Manifesto, are doing our best to help people in those difficult times.

ANDREW MARR: You and all your Liberal Democrat colleagues at the senior level, describe cutting the top rate of 50p in various ways like incomprehensible, out to lunch, politically impossible and so on. We've got screeds and screens of quotes. What changed?

DANNY ALEXANDER: Well what I always said was, that now would not be the right time to be cutting the overall tax burden on the wealthiest. And this budget is not cutting the overall tax burden on the wealthiest. As I’m saying, through things like a tycoon tax, through the Stamp Duty reforms, we’re effectively introducing a Mansion Tax on tax dodgers, through our Stamp Duty changes, through introducing a new general anti-abuse rule in the tax system, which puts us one step ahead finally of the tax dodgers. We’re taking changes which will raise more overall from the wealthiest. I think that is a ... (interjection) ... reasonable proposition.

ANDREW MARR: In the context of all of that, why were you persuaded that the 50p rate should be reduced to 45p?
DANNY ALEXANDER: Well look, in the context of budget discussions, where we’ve set out our main priority from a Liberal Democrat point of view as going further and faster on increasing the Income Tax personal allowance, delivering the largest tax cut for a long time, we were persuaded, in the context of an overall package of measures on the wealthy, which raises five times more, that when we looked at the independent assessment which the HMRC had done, which had been looked at by the Office of Budget Responsibility, that actually ... (interjection)

ANDREW MARR: So this was a straight forward, you’re sitting round a table, we will accept that if you will accept that. It’s a straight forward deal.

DANNY ALEXANDER: Well what we discovered when this independent work was done was that far from the promised billions that had, that Labour had said we’d get from this 50p rate emerging, in fact the evidence showed that this was not a tax that was working. What we’ve, what we’ve tried to do in this budget is replace a tax that wasn’t working with a number of taxes that will work to get more from the wealthiest. And also which mark, if I may say so, a sort of philosophical shift in the tax system where as a government, we want to reduce the amounts of tax on work, on effort, particularly on people on low and middle incomes and raise more from wealth – and the wealthiest. That’s a good direction for tax policy to go in I think.

ANDREW MARR: If, if that is how, actually what happens, but as I say, we don’t, nobody really knows whether that’s going to happen. Can I ask one more time about the granny tax changes because you know, you can defend them as a simplification or whatever. Nonetheless, this was a major change in the budget, which was not signalled clearly in the budget speech itself and lot of the anger about it, perhaps in the press afterwards, has been the sense that it was an attempt to mislead people or hood-wink them, going back to all the things that people used to say about New Labour.

DANNY ALEXANDER: Well the, the Chancellor in his budget statement actually signalled very clearly they were doing this. That it would raise money. It is a difficult choice in, in this budget but I think it’s ... (interjection)

ANDREW MARR: Were you happy about the way it was presented.

DANNY ALEXANDER: Absolutely. I think that, I think that this is a change which is justified on the basis that, you know, I don’t see why someone who is working, who is twenty six years old, should have a different tax free allowance to someone who’s sixty six years old ... (interjection) ... especially when we are increasing that tax threshold so quickly and when our other measures, such as the largest ever increase in the basic state pension, such as the changes to a single tier pension, are quite rightly delivering net benefits to pensioners.

ANDREW MARR: Well, perhaps many pensioners would say, the answer is because they’ve been dealing with a very, very difficult climate when it comes to interest rates, when it comes to investments, when it comes to the cost of
living shooting up. Now it may be that you know, the pension has gone up to cover some of the cost of living increases, but nonetheless, there’s a lot of people having a really, really hard time on low incomes and they did not expect that a budget for fairness was going to hit them with this.

DANNY ALEXANDER: There are an awful lot of people having a very hard time right across the population at the moment and of course, as you know, the poorest 50% of pensioners don’t pay income tax at all so they will be unaffected by this measure. By moving to a triple lock, we are ensuring that finally pensions are up-rated by earnings or by prices or by 2.5%, whichever is the highest. That means the arrangements around the basic state pension are much more generous than they were under the previous government, in the previous parliament.

ANDREW MARR: Do you regret the serial leaking of aspects of this budget?

DANNY ALEXANDER: Well what I’d say is that you know, in a, in a Coalition Government, there is going to be debate, publicly, about the nature of some of the measures. And you know, we were, as Liberal Democrats, very explicit about the priority that we attached to going further and faster on the income tax cuts, for people on low and middle incomes. But of course I’m disappointed that so much detail was leaked ... (interjection) ... in advance ...

ANDREW MARR: Because your Party was blamed for that and it was even said that George Osborne had to ask Liberal Democrat aides to leave the room during key parts of the budget discussion because he assumed they were going to go straight to the papers and leak them.

DANNY ALEXANDER: Well, I’ve no idea where, where these things ... (interjection) ...

ANDREW MARR: That’s not true.

DANNY ALEXANDER: ... I’ve no idea where these things came from. Most of the discussions actually ... (interjection)

ANDREW MARR: That’s not true.

DANNY ALEXANDER: ... in the quote that you referred to, is, it was amongst the four of us plus one Treasury official, so that just isn’t true.

ANDREW MARR: (over) So it was not true...

DANNY ALEXANDER: ...So that just isn’t true. What I’d say also is in the end, that you know, this country was very poorly served over the past thirteen years, by a previous government that obsessed every day about what was in the headlines and didn’t think about what was doing what was right for this country. And what I’d say is, you know, we’ve spent our time thinking about what is right for this country and that’s what we delivered in this budget and that’s what will stand the test of time.
ANDREW MARR: So turning to what is in the headlines.

DANNY ALEXANDER: Indeed yeah.

ANDREW MARR: What do you make of this extraordinary story about a Conservative Treasurer, you know with a tariff, offering access to David Cameron at Chequers, not access to David Cameron at No. 10 Downing Street.

DANNY ALEXANDER: It’s utterly disgraceful and as the Prime Minister has said, there’s just no place for this sort of unacceptable behaviour in British politics. What I would say is, this makes the case for reforming the system of Party funding in this country even stronger. You know, no political party has been without its problems in relation to Party funding. Over the next few weeks, the three parties will be getting round the table, following on an initiative by Nick Clegg, the Deputy Prime Minister, to discuss how we can change the way Party funding works. To try and get the big money out of politics.

ANDREW MARR: So when the quad sits down next time, what are you going to be saying to David Cameron and George Osborne about this?

DANNY ALEXANDER: Well this is a matter that’s been discussed within the government over many weeks. It is something that we committed to in our Coalition agreement and which Nick Clegg is taking forward to make sure that we bring forward reforms to our political system which mean this perception that people who have, make large donations, be they wealthy people from the City, be they the Trade Unions who, who actually secured the result of the last Labour Party leadership election, that those people should not have excessive influence and there shouldn’t be the perception of that influence either.

ANDREW MARR: Are you sure that you’re going to be able to come forward with concrete, clear proposals that you can get through the House of Commons on this?

DANNY ALEXANDER: Well look, all Parties have nominated people to take part in this process. There will be a short, sharp series of discussions which will be conducted over the next few weeks, under Nick Clegg’s leadership and I’m very hopeful that that will yield proposals. I think what these headlines show today is the absolute necessity of having reforms to our party funding system, to deal with this sort of taint that big donors might be able to influence policy...

ANDREW MARR: (Over) And talking about big donors, how low do you think the cap could be because the committee on public funding were talking about ten thousand pounds. Other people have talked about fifty thousand pounds. Where would you like to see it?

DANNY ALEXANDER: Well that’s something I’d like to see coming out of these discussions. I’m not going to pre-judge them. I think that you know, the issue that, that David Miliband rightly raised about the amount Parties spend is an important thing to look at, as is the question of ... (interjection)
ANDREW MARR: So cap that possibly as well ....

DANNY ALEXANDER: ... as is the question of the cap on donations. But look, all Parties have an interest in sorting this out. You know, there is no prospect of donors influencing government policy, but we need to make sure the system does not allow that perception to arise either.

ANDREW MARR: All right. Danny Alexander, thank you very much indeed for joining us this morning.

END OF INTERVIEW WITH DANNY ALEXANDER