Transcript of George Osborne interview

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THE ANDREW MARR SHOW

INTERVIEW:

GEORGE OSBORNE, MP

CHANCELLOR OF THE EXCHEQUER

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ANDREW MARR:

Well of course the Budget is one of the great parliamentary occasions of the year. The chamber is always packed with eager MPs, and the sketch writers feel like stars for the day. The odd gin and tonic has probably been sold at the Commons' bar beforehand. And the Chancellor always keeps a few surprises to the end of his speech. The frantic briefing and counter-briefing begins the moment he sits down. This year, of course, the detailed negotiations that precede every Budget have been played out rather more publicly than usual as the Liberal Democrat and Tory parts of the coalition flag up their different priorities. George Osborne reveals all at 12.30 this Wednesday, but he's with us now to reveal … well we'll see. Thank you for joining us, Chancellor. Can I start off by asking whether you actually already know what is going to be in your budget or whether there are still negotiations that have to follow tomorrow when you meet the Liberal Democrats?

GEORGE OSBORNE:

Well I've read a lot of the speculation. You always get speculation around budgets, but actually …

ANDREW MARR:

It's at a different level this year.

GEORGE OSBORNE:

Well I remember the years I've been in politics whole budgets being leaked before they were given. But actually we sent the major measures to the OBR last Monday and the major decisions were taken a week ago. We put the finishing touches to it on Friday. So now the Office for Budget Responsibility, which does the independent audit of the measures and the fiscal forecasts and how much everything is going to cost, they've had everything they need on Friday and we will discuss tomorrow how we present the Budget and the language round the Budget speech and the like.

ANDREW MARR:

But the decisions are all taken?

GEORGE OSBORNE:

The decisions are all taken and indeed they were basically taken a week ago. So I've been reading for a week that these decisions haven't been taken, but unfortunately they have. Unfortunately from the journalist point of view.

ANDREW MARR:

Right, okay. Now Britain's triple A rating is very important to you. We've had two agencies now talking about the possibility of a downgrade. Given that this is all about the credibility of the government's policy, how do you feel about the fact that so much is being argued about in public? That one side of the coalition is saying we want this; the other side is saying we want that. That can't help you?

GEORGE OSBORNE:

Well, as I say, first of all there's always speculation around budgets, and all I can say is first of all this is a coalition budget. It is not a Conservative budget or a Liberal Democrat budget. We are a coalition government. We have a proper process. You know I sit down with the leaders of the Liberal Democrats in order to make sure that they are happy with the Budget that we are presenting, and that is entirely proper in coalition government. I don't think …

ANDREW MARR:

(over) And you're happy with the way they have been behaving vis-à-vis the media?

GEORGE OSBORNE:

Yeah, I think it's absolutely fine in a coalition for people to argue their corner. And, frankly - and you will know these stories because you study politics very carefully - there have been many stories in the past of prime ministers not being told what's in the Budget till Budget Week, of chancellors finishing the Budget at 4 in the morning on Budget Day. You know that has all gone. This is a much more orderly process. And, crucially, we have …

ANDREW MARR:

(over) Really? Orderly? Because the Liberal Democrats have very different policies and they have been laying them out in public and saying we want this and we want that, and you know this is not familiar.

GEORGE OSBORNE:

(over) It's perfectly reasonable in a coalition between two political parties that you get supporters of those parties you know stressing the things they want to stress. But at the heart of government, at the top of government with the Liberal Democrat leadership, with the Chief Secretary to the Treasury who is a Liberal Democrat who's been party to all the internal discussions in the Treasury about the Budget, you know what you see is a coalition working to produce a coalition budget. And I think because it's a coalition budget actually it will satisfy a broad range of public opinion.

ANDREW MARR:

So you're not worried about the sort of public trading that seems to have gone on?
GEORGE OSBORNE:
I’m not worried at all. And, as I say, actually the major measures were decided a week ago. And, look, what I think you will see on Wednesday is a budget for working people, a budget that shows that Britain can earn its way in the world, a budget that says Britain is not content with being in the second rank of economic powers in the world - we want to be in the front rank of economic powers - and we are prepared to confront our problems, to create jobs, growth and prosperity and a brighter future for the next generation.

ANDREW MARR:
Would it be fair or reasonable - given the state of the economy still, albeit there are some signs of things getting a bit better - if this budget helped higher rate taxpayers, the rich to put it that way, more than everybody else?

GEORGE OSBORNE:
Well, look, I’m not going to go through all the different measures that may or may not be in the Budget.

ANDREW MARR:
(over) But as a point of principle, does it have to be a fairness budget?

GEORGE OSBORNE:
Well look, the point of principle is this. That my priority is to help low and middle earners. That is where the bulk of the effort in the Budget is going to be. We want to see real and substantial progress on lifting low income people out of tax. We’ve already taken a million low income people out of tax, and helping working families - the people who get up in the morning, go out to work, try and provide for their family, the people who are looking for jobs if they’ve lost jobs - those are our priorities in this budget, and I think you will see on Wednesday that is where the bulk of the measures are directed.

ANDREW MARR:
Gordon Brown and Ed Balls created the 50p top rate. Has it worked as a tax?

GEORGE OSBORNE:
Well we’re going to get an assessment in a couple of days time from the Inland Revenue.

ANDREW MARR:
You haven’t seen it yet?

GEORGE OSBORNE:
Well I have seen it, but I’m not going to get into …

ANDREW MARR:
(over) So I’m asking has it worked as a tax?

GEORGE OSBORNE:
You know we’ll just have to wait for that assessment from the Inland Revenue. And of course you know all the forecasts - including the forecasts of what taxes raise - are signed off by the Office for Budget Responsibility. Ed Balls - I was just watching him on your programme - made a mistake there. He said you know why have I asked the Inland Revenue to assess these things. Well first of all they’re not a bad group of people to ask because they’re the people who actually see the tax returns, but any forecast for the taxes already being levied is something that is now produced by an independent body. I know that is completely alien to the Treasury that Ed Balls was in, but we do have an independent referee on the measures we take and indeed on the measures that are already in existence.

ANDREW MARR:
But I come back to my first thing because you have seen the figures. I’m just wondering if you think it has worked as a tax, if it’s been an effective tax in terms of the amount it costs to collect and how much you get back?

GEORGE OSBORNE:
Well, look, I just don’t think I should talk about specific taxes that apply to any of the taxes you were going to ask me about today just a couple of days before the Budget. You know what we want to do is make sure that this country earns its way in the world. We have secured this country’s economic stability with our plan to reduce the debt and deficit, which I think has been completely vindicated by events over the last year on the European continent. What we’ve got to do now is say, look, Britain has got to earn its way in the world. And we have been cosseted over the last decade by high debts with cheap finance, with the boom in the City of London. You know those masked the fact that Britain was becoming less and less competitive, sections of our economy like manufacturing were shrinking. You know we have got to turn that situation around. You know the illusion of the cheap money is over and now Britain has to go out there and graft and earn its way and create wealth and prosperity in a very competitive world.

ANDREW MARR:
Yeah because I mean, as you know, the opposition, all sorts of people are sort of almost hoping that you’re going to cut the 50p rate because they can then jump at you there and say, look, Conservatives look after their own, they look after the rich.

GEORGE OSBORNE:
Well, as I say, the bulk of the measures in the Budget are going to be targeted at working people on low and middle incomes. That is our priority. You know what we want to do is make sure that this country earns its way in the world. We have secured this country’s economic stability with our plan to reduce the debt and deficit, which I think has been completely vindicated by events over the last year on the European continent. What we’ve got to do now is say, look, Britain has got to earn its way in the world. And we have been cosseted over the last decade by high debts with cheap finance, with the boom in the City of London. You know those masked the fact that Britain was becoming less and less competitive, sections of our economy like manufacturing were shrinking. You know we have got to turn that situation around. You know the illusion of the cheap money is over and now Britain has to go out there and graft and earn its way and create wealth and prosperity in a very competitive world.

ANDREW MARR:
If we’d been sitting here only six weeks, eight weeks ago, we’d have been thinking, we’d have been talking a lot about the European euro crisis. That seems to have calmed down a little bit. It’s early days, but it’s less so. At the moment the
big worry seems to be international oil prices. Can you do anything for the motorists and the businesses who are screaming now at the price of diesel? I mean I know the coalition has done quite a bit in the past. Is there any hope for more?

GEORGE OSBORNE:

Well again I can't be drawn on specific things ...

ANDREW MARR:

No, but in general.

GEORGE OSBORNE:

... but, look, I would say two things. One is yes the situation in the euro is a lot better than it was just before Christmas and I think we all went away at Christmas time almost expecting a Eurozone bank to fail ...

ANDREW MARR:

Yes, sure.

GEORGE OSBORNE:

... and that could have plunged us back into the sort of Lehman like situation. I would just say that just because the European Central Bank is putting a lot of money into the Eurozone does not mean some of the fundamental problems have been resolved and you know that remains a major risk to the UK and the rest of the world, and I think what you're seeing actually is that the impact of that crisis has had a bigger effect on many European economies than we had perhaps hoped at the time. The second thing I'd say on oil prices - yes that is another risk to the world economy at the moment, something in America we spent quite a lot of time talking to the US President and the Treasury Secretary about, and of course you know it affects the cost of living. I would say I have taken substantive action to make things easier for people. Petrol is 6p a litre cheaper than it would have been if we'd stuck with the plans that Ed Balls put in place when he was in government. From April it will be 10p a litre cheaper than it would have been if we'd stuck with Ed Balls' plans.

ANDREW MARR:

Still jolly expensive.

GEORGE OSBORNE:

It is still jolly expensive, I accept that. But that is because the international oil price is going up and that is partly because of the Iranian situation and partly because each year there are tens of millions more Chinese and Indians and Brazilians who have cars. And that is you know one of the features of this world, which is why we also need to diversify our energy supplies and get nuclear power stations built and get renewable energy coming online, so that we're not so dependent on oil.

ANDREW MARR:

When it comes to energy policy, one of the things that people always say, endless talk about we must have more nuclear power stations, we must have this, we must have ... Nothing ever happens because of the planning system. And that's not just true of energy policy, but that because we are a small island with sort of small areas of natural beauty and so on, it's just too difficult to get things done in this country.

GEORGE OSBORNE:

Well I completely agree with you and it is deeply frustrating that the planning rules have held back economic development in Britain. And I was talking to a major company, a major global company who says it takes a third of the time to build a warehouse in Germany than it does to build one in Britain. So we're not talking about ... You know Germany's a developed country with also not a huge amount of spare space. I am determined that we shake up our planning rules, so we yes protect the greenbelt, protect our most precious green spaces, but we also allow businesses to expand and people to have decent homes and children to be able to afford a home when they grow up. You know these are priorities for a planning system, and on Budget Week we will be publishing new planning rules which I think will make it a lot easier for things to get built in this country while protecting our most previous environment.

ANDREW MARR:

The Sunday Times had a story this morning pointing out how many rock tycoons and others have been avoiding tax by offshore companies owning properties of all different kinds. David Laws said not so long ago the super rich must be made to pay more. The whole question of tax loopholes is angering people perhaps more than it's ever done.

GEORGE OSBORNE:

I understand that and people want to make sure that all sections of society are paying their fair shans, and you know whatever your headline rate of tax, the question is what is the actual tax people are paying?

ANDREW MARR:

Exactly.

GEORGE OSBORNE:

On the specific issue of stamp duty avoidance - in other words rich people, often foreigners who come to this country but also some people here in Britain who put homes into companies to avoid stamp duty - that is completely unacceptable. We are going to come down on that practice like a ton of bricks. We are coming after that tax avoidance. We are going to be extremely aggressive in dealing with it and people are going to face a very punitive charge because it is completely unacceptable when you buy a home that you're going to live in - it's a very simple test, are you going to live in this home - if people are buying a home and ...

ANDREW MARR:

(over) And you've new measures on this, do you?

GEORGE OSBORNE:

We are going to have new measures in the Budget on this. We are going to deal with this avoidance of stamp duty and
you know people have had their warning. They have got to pay stamp duty on the homes they live in and we are going to
deal with that in a very, very aggressive way.

ANDREW MARR:

Whether we actually use the term 'tycoon tax' or not, is there also a general determination to ensure that because people
can afford expensive accountants that they've been able to avoid paying tax in all sorts of different ways and there
should be some sort of ceiling or floor rather on the amount of tax people pay?

GEORGE OSBORNE:

Well again I can't be too specific about things in the Budget ...

ANDREW MARR:

Sure, but ...

GEORGE OSBORNE:

... but I'm very clear that people should pay a fair contribution to the government. You know I used the phrase 'we're all
in this together' ...

ANDREW MARR:

Yes.

GEORGE OSBORNE:

... because I wanted to make sure that the better off people in our society did make a contribution. And, as I say, it's not
just the tax rate they pay. It is whether they're actually paying. It's not just the tax rate that's advertised. It's whether
they're actually paying a rate??

ANDREW MARR:

Exactly.

GEORGE OSBORNE:

And you know we are going to take measures to make sure that the loopholes and some of the reliefs in the system are
not exploited. Now I've been doing that consistently for the last two years. I agree it's not been ...

ANDREW MARR:

(over) Would you use this phrase ...??

GEORGE OSBORNE:

(over) ... it's not been in headlines, but actually you know two weeks ago we took action against a bank that was using
loopholes to avoid tax. I've always been prepared to do that because I think it does offend people when they see some
parts of our society getting away with not paying very much tax.

ANDREW MARR:

Just before we finish. We've talked an awful lot about people at the top. Another big worry is the removal of child benefit
from people whose incomes are not very large in many cases and a feeling that there's a sort of cliff over which they're
going to fall and that you should do something to sort of help that.

GEORGE OSBORNE:

Well of course I completely understand that people on incomes of £45,000 or £50,000 you know do not feel particularly
rich and they feel under a lot of pressure. They are in the better off 15 per cent of families and if we were not doing
something on child benefit for higher rate taxpayers and people at the top of the income distribution, then really that
group of the public would be making no contribution to the fiscal consolidation. We've taken some tough welfare
measures throughout this parliament - we've capped benefit payments, we've capped housing benefit, we are getting
welfare bills down - but I think everyone needs to make a contribution. How we implement the policy is something we
will discover on Wednesday.

ANDREW MARR:

Alright, indeed. George Osborne for now, thank you very much indeed for joining us.

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