

ANDREW MARR SHOW

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GEORGE OSBORNE

AM: Chancellor, welcome. Things have gone pretty badly wrong haven't they?

GO: Well, I think the world is a much more difficult and dangerous place. Indeed, my message in this budget is that the world is a more uncertain place than at any time since the financial crisis, and we need to act now so that we don't pay later. That's why I need to find additional savings equivalent to 50p in every £100 the government spends by the end of the decade. Because we've got to live within our means, to stay secure, and that's the way we make Britain fit for the future.

AM: So when people talk about an £18 billion black hole, that's pretty accurate?

GO: Well, £18 billion is the sum of money that has been revised off our nominal GDP. In other words, that's a number out there last year because inflation was lower.

AM: But it's a real number isn't it?

GO: Well, it's a real number in the sense that all around the world every western country, and indeed in big emerging countries like China, Brazil and Russia, people are looking at economic prospects and thinking they're not as rosy as they were just a few months ago. But let's put this in context. Britain is still forecast to have the strongest growing economy of any of the major economies in the world. We've got a record number of people in work. So I would say this: eight years ago when we had the financial crash, Britain was one of the worst prepared countries for what happened. This time, in uncertain times, Britain is one of the best prepared countries. So of course we're not immune to what's going on. But that doesn't mean we can't take action to make sure we are well prepared.

AM: But this is going to have to be a budget of further cuts?

GO: Well, we are going to have to make further savings, equivalent, as I say, to 50p in every £100 the government spends by the end of the decade. But what is the alternative? To see this difficult situation emerging in the world economy, to look at our own economy and see it's not as productive as we would like, and to give up and say we're not going to do anything? Absolutely not. I want to roll up our sleeves, make sure we are living within our means, making our country more productive, making sure our schools are better, our infrastructure is better, our taxes are more competitive. You know, this – we are not powerless in the face of these things.

AM: Where are the cuts going to come? Where are the cuts going to come?

GO: Well, look, I think we can find those savings. It's not a huge amount in the scheme of things. And I think you can do it through looking, as we always do, where you get best value for money, through efficiency and so on.

AM: Even more pain for the non-protected departmental budgets where people are already screaming in protest across Tory England?

GO: Well, I think we've set out a plan, when it comes to public expenditure, that enables us to invest in the public's priorities and our priorities, like the National Health Service, like science and education and infrastructure, and indeed, in defence, while at the same time not spending more than the country can afford. And ultimately the people who pay the price, if you spend more than you can afford, are the people in this country -

AM: The disabled people, for instance.

GO: It's people living in this country, you know, who don't have the security that comes when the country is in charge of its public finances.

AM: You're taking a lot of money out of the pockets of some of the most vulnerable people in this country, disabled people, through PIP reductions and through ESA reductions. Those are the people who can least afford to pay the sacrifice. Those with the weakest shoulders, if you like. And you are changing the rules deliberately to hit them. Is that really your priority?

GO: Well, I don't accept that at all. We are increasing –

AM: Which bit don't you accept?

GO: We are increasing spending on disabled people and the most disabled in our country get higher payments than they did under the last Labour government. So we're increasing the support we provide for disabled people. And by the way, we're also –

AM: 640,000 people will be affected by PIP reductions, by the end of the parliament.

GO: The Personal Independence Payments were introduced by this government to give those who really needed , more help, more support. By the way –

AM: But they're getting less.

GO: Hold on, we're also giving more support to people with mental health conditions, which didn't happen before. Now, when you've got a benefit like that, you have to make sure that it's properly managed so the money goes to those who need it most. That budget is going up, and what we're saying and what Iain Duncan Smith has announced, is that we have to look at some of the way the points were awarded to make sure that, in a rising budget, it goes to those who are most vulnerable, who need the help most.

AM: According to your own government's figures, you're saving £1.2 billion by cutting payments to disabled people.

GO: Well, hold on, the budget is going up –

AM: So where are the savings coming from?

GO: It won't be going up as much as was forecast. That's because we're taking action, but you know, controlling welfare bills is part of what you need to do if you're a secure country able to confront the problems of the world.

: And if this all happens at the same time as you're raising thresholds to help middle class taxpayers it's going to seem a very, very callous set of priorities.

GO: Well, as I say, we are providing more support to disabled people. And yes, we back working people. Times are tough, you know, the fiscal situation is a difficult one because of what's going on in the world, because all western countries, including our own, are not productive enough. But we can take action by making our economy more competitive, making our country better-skilled, investing in the roads and the railways and the like that were not invested in before.

AM: What about some of the other ways you could raise money if you chose to? At the moment, because of world oil prices, petrol's very cheap. Do you think motorists could have the shoulders to take another bit of taxation from you?

GO: Well, look, I'll set out the decisions on duties like fuel duty in the budget, not –

AM: It's just a friendly question.

GO: It's a friendly question. But it wouldn't be a very friendly response if I started spelling out my budget on the Andrew Marr programme. I think there would be summoned the next day, correctly, to the House of Commons. But look, I'll set out the tax rates in the budget. On fuel duty, we had a manifesto commitment there and we've pencilled in fuel duty plans going forward. But what I would say is every time we can help our economy be more competitive we do, and that's why we've cut

business taxes, it's why we've helped working people by raising the personal allowance. You know, we're always there –

AM: And you're going to carry on doing that? You've said that you're going to carry on doing that.

GO: Look, we have a very clear manifesto commitment. A promise we made to the British people that we would raise the personal allowance to 12 and a half thousand pounds, it's going to 11,000 pounds in just a couple of weeks, to raise the higher rate threshold to £50,000 so people on middle incomes weren't caught in the higher bands of tax. We will deliver on the manifesto, but of course in each judgment you make at a budget you've got to see what money you've got available and what you can afford to do, and the truth is these are difficult economic times.

AM: So we shouldn't be looking for tax cuts this time round?

GO: Well, as I say, wait for the budget. What you'll see in the budget is a government absolutely determined to confront Britain's long-standing problems with its productivity, to make Britain more secure in the face of a difficult world economy. And look at our record. You know, we took difficult decisions. You asked me over many years perfectly legitimate questions about whether the judgements would turn out to be the right ones. Britain today has the fastest-growing economy in the western world. We can stay number one, but only if we get ahead of the curve, redouble our efforts and make Britain fit for the future.

AM: Meanwhile you haven't been able to pay off the deficit as you'd promised, you've broken your own welfare cap, and you've made a numerous series of U-turns on everything from the Google tax to pensions, to whatever it might be. It's a pretty ropy record at the moment, isn't it?

GO: Well, I don't accept that at all. Even in the space of the last year we've introduced a national living wage, an apprenticeship

levy to skill up millions of Britons who don't have the right skills at the moment. We're going undertaking...

AM: On the big picture, you didn't eliminate the deficit.

GO: On the big picture –

AM: Because you didn't get the growth you thought you were going to get.

GO: The big picture is people look at Britain and they see a country getting its act together and putting its house in order. And if you look at what we do as a government, you know, I think we take big radical reforming steps and yeah, we've got a small majority, so do we win every vote? No we don't. But you can do two things in the face of that: you can either shut up shop and do nothing – that is not me as a politician, right. If people want a politician who's just going to sit here and blather away and not actually do anything, then they can get someone else. You know, what I'm interested in doing is making the real lasting changes to improve the living standards of working people in this country.

AM: Do you regret praising the sweetheart deal with Google?

GO: I was faced with a situation, when I became Chancellor, where we were not raising any money from this company. Now we are raising money from Google

AM: Proportionally, an eency-wincy bit.

GO: And indeed from Facebook and the like, and I think that is a success. Now, of course people want more money to be raised from those companies. I understand that. But we've introduced the tax changes that will make that happen.

AM: But other countries are getting more.

GO: They never happened with – the people who criticise me, often Labour politicians, they sat in chairs like this for 13 years, did absolutely nothing. And I think the steps we've taken will make sure that our tax system is fit for the modern age, when,

you know, frankly, the internet, the, you know, global trading system is vastly different than it was 20 or 30 years ago, and our tax system needs to change and it is changing.

AM: Now, you have talked about this being an unstable and dangerous world at the moment, possibly on the edge of another financial crisis, so people are worried about that. And there's a series of threats around the world that you have outlined. Lower than expected Chinese growth, what's going on in the Middle East and so forth. But one of those threats is Brexit. Do you still think it was a brilliant idea to hold a referendum?

GO: I think it's absolutely right for Britain to confront these big questions about its future, and in this case to resolve that decades-long ambiguity about our relationship with the European Union. For me, what's always made Britain great is that we're an outward-looking, free trading country that engages with the world, that shapes our planet and its destiny. I'm not for us pulling up the drawbridge, unilaterally withdrawing. And you know, I hear people –

AM: Well, I've watched you going around the world.

GO: I hear people saying – Andrew, I hear people saying, you know, 'I want Britain to be like Switzerland, I want Britain to be like Norway, I want Britain to be like Canada.' You know what? I want Britain to be like Great Britain. Engaged in the world, championing free trade, not withdrawing from Europe but shaping Europe to our national interest.

AM: I've watched you going around the world selling Britain as it were, and you go to America, you go to China, because those are still the two parts of the world economy that are growing. Europe is flat on its back. We see – look across Europe and see a rise in political extremism, we see boundaries going back, barbed wire going back up again. We see the Eurozone in meltdown. And then we're told that it's safer to stay with that, stay shackled to than it

is to get out. That seems to a lot of people completely barking, frankly.

GO: Look, I'm all for –

AM: Let's talk about the risks of staying in.

GO: I'm all for Britain connecting itself to China, to North America, to, you know, Brazil and the like. I'm all for us to do – we don't do enough of that. But we have to recognise that we are part of the European continent, 50 per cent of our..

AM: We're not actually part of the European continent, we're off it. We're off it.

GO: Well, you ask most schoolchildren which continent is the United Kingdom in and they'll say Europe.

AM: It's an island.

GO: It is indeed an island. But we are – we've learnt to our cost over many centuries that we are deeply affected by what happens just across the English Channel. And you know, if you look at Britain –

AM: And it's going very, very badly at the moment.

GO: Of course. You know, for all western democracies at the moment there are lots of challenges and populist movements and so on. You know, what is the best response to that? You know, in my view it is to have a sober and serious assessment of the facts, that's what the British people want. I've been the country's Finance Minister for the last six years. You take a serious assessment of the evidence, and an exit from the European Union would create an economic shock that would cost jobs, increase prices, damage living standards, and it would represent this big leap in the dark and there's a bigger question as well, about who do we want to be as a nation?

AM: Is that rather unoptimistic?

GO: You know, I think Britain – it's difficult to think of any country in the world that has had a greater influence on the history of the world than the United Kingdom –

AM: Well, let's keep away from history.

GO: Are we really going to be the people who say, 'there's the big table, we're walking away from it.'

AM: Well, because actually it's a big table that's sinking, it's a continent mired in crisis and we could have, as Boris Johnson has now said, we could have a deal like the Canadian deal. They have 90 per cent of their trade is going to be tariff-free, they don't have to pay in, they don't have to accept free movement of people. We could do that but better, couldn't we?

GO: Let's take the Canadian deal as an example. It took seven years to negotiate. There are tariffs on everything from cars to beef. And three quarters of our economy is in services, and they don't have a services deal. You know, the only way you get access –

AM: Every country is different, every deal could be different. But if we exited the EU, are you really saying that, as Chancellor, you couldn't negotiate a decent free trade deal with the rest of the EU?

GO: We would of course try and do the best we could. But you had the German Finance Minister on this programme last week. He could not have been clearer, which is the only way you get the access to the free trade single market that Britain needs is if you pay into the European Union budget and you accept the free movement of people. So why would you want to do those things and have no control over the rules, no control over how the budget is spent? You know, it seems to me we've got the best of both worlds. We're not in this Schengen border which is causing all these problems in Europe. We're not in the euro, which has caused all the economic challenges. But we do have access to that free trade single market. And you know –

AM: And in return for that we have free movement of people. There's not much we can do about that.

GO: You would have free movement of people, as I say, if you did the kind of deal Switzerland does or Norway does to try and get access to the –

AM: But not Canada.

GO: Look, I don't want us to be Canada. I want us to be Great Britain. And you know, in the end this is not some political game. This is the biggest decision facing this country for 50 years, and the people who are going to be affected by that decision are not you and me, we'll be long gone from the political stage, it'll be the car worker in Sunderland, the hill farmer in Wales, the bank call centre worker in Bournemouth. Their future depends on an open and engaged Britain, and a Britain that's engaged with the European Union. It is about their future, not about ours.

AM: Sure. So we have to look 15, 20 even 30 years ahead when we think about this decision? And then we turn to Turkey, which is getting visa-free access and almost certainly will become a member of the EU. 70 million people suddenly inside the EU. That frightens a lot of people. They see it as a back door to a very, very extreme and dangerous part of the world. Lots of people can move through the Turkish border into the EU. That's the kind of risk, on your side of the argument, that we have to think about as well, isn't it?

GO: Well, I think it's a perfect example of why it's in our interest, yes, to engage with our near neighbour like Turkey, but because we've got the best of both worlds we do not have to give access to Turkish citizens coming to the UK. They will still require visas. And that's because we are not part of the Schengen Agreement.

AM: Sorry, we're talking about the future, we're talking about what's going to happen eventually. People have to assume that that kind of thing will happen.

GO: But Andrew, that is entirely a decision for the British House of Commons. People talk about sovereignty. The British House of Commons makes these decisions, accountable to the British people. We are sovereign. But in my interest – in my view, and in the interests of the British people, you know, what we want is to have control over our destiny, and you have control over your destiny by engaging with the world, not running away from it.

AM: Are you suggesting that if Turkey joined the EU we, as a House of Commons, could keep the Turks out of the UK? I just don't see how that would happen.

GO: Well, first of all we have a veto over whether Turkey joins or not –

AM: Would you want to stop Turkey joining?

GO: So we can set conditions, and we've made it absolutely clear that we will not accept new member states to the European Union and give them unfettered free movement of people unless their economies are much closer in size and prosperity to ours.

AM: So Britain would block Turkey's, Turkish accession?

GO: We've made absolutely clear that whilst countries might or might not accede, we'd have to make that decision at the time, it would only have free movement of people if the economies were of similar prosperity. So what's really driven –

AM: I'm sorry to come back to this, but you are saying that for the foreseeable future Britain would block Turkish accession to the EU? That's roughly what you're saying.

GO: For a start – look, as I say, I think Turkey is an incredibly important ally, a big partner in NATO and so on. And it's important it has close relations with the European Union. I don't frankly think Turkish accession to the EU is on the cards any time soon. We could if we wanted to veto it, as other countries could. We also have made it very clear that we are not going to allow new countries to join that are much poorer and have free

movement of people as a result of it. That's been one of the big problems. Our economy has been successful and it's attracted people to our country, it's one of the reasons why the Prime Minister's deal is so important, so that people have to put in before they get out.

AM: You mentioned sovereignty just now. I thought one of the most eloquent expositions of the case for Brexit was by your colleague Michael Gove, who said that day after day every minister sees across their desks things that they would like to do and they're told, 'no, I'm sorry, Minister, Brussels says no.' And actually British ministers do not have complete control over their own departments because Brussels, the bureaucratic system, intervenes. Don't you occasionally think I would like to smell sweet freedom in my nostrils? I'd like to get out and really have a government which actually had authority and control and sovereignty over this country. Doesn't that appeal to you at all?

GO: Look, freedom is being able to control your environment and being able to do what you want to do to protect your people. And I think we have more freedom, more control over our world by being part of the European Union. And this point about sovereignty, we are engaged in a sovereign act as a nation, we're making a decision about whether we want to be in the European Union or not. It's entirely our decision, it's a decision for the British people. So we are sovereign. The question is what do we choose to do with our sovereignty. Let's take NATO. We choose to be part of NATO. If someone attacks another NATO country we have to go to war against that country. That's in some sense, you would say, an abrogation of sovereignty. You know, the act of war. But were much safer, more secure and we have more freedom and control because we're part of NATO. I think the same thing applies to the European Union.

AM: Okay. Very briefly, according to the papers the prime minister thinks that Boris Johnson is after his job. Do you agree?

GO: Well, I mean, there's a string of these memoirs from Lib Dem ministers, and I worked very hard to make sure that they were writing their memoirs, these Lib Dem ministers.

AM: Yeah, well, they were, you've been successful.

GO: I don't really recognise much of what he said. I mean, I don't think it's the greatest revolution – revelation in human history to discover that Boris Johnson is interested in a job in government.

AM: In the Prime Minister's job in government as well.

GO: Well, you'd have to ask him. You had a very good interview with him last week.

AM: I did ask him. He denied it. But there we are.

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