ANDREW MARR: 
Ed Balls said recently he was daunted at the prospect of becoming Chancellor if Labour win the election because of the huge levels of borrowing and debt he would inherit from the Coalition. Well whoever you blame for that, it is true that balancing the Budget will be a huge task. So how would he go about it? Ed Balls is with me. Good morning.

ED BALLS: 
Good morning, Andrew.

ANDREW MARR: 
Now you’ve given us a list of things already that Labour would like to spend to improve things, including a huge house building project – 200,000 houses – and I think you’ll borrow the money for that. But also things like bringing in a 10p rate to help people at the bottom, wraparound childcare – much more childcare for families and so on. And the big question of course is going to be how are you going to pay for it all?

ED BALLS: 
Well on each of those items there, we’ve set out how we would pay for them. We’ve said that we would raise the bank levy to pay for more childcare for working parents. We’ve said that on the 10p rate, we’d pay for that by abolishing the unfair and perverse marriage tax break, which George Osborne has given only to a third of married couples …

ANDREW MARR:
It’s a very popular tax break, of course.

ED BALLS:
Well, look, the problem is people think it’s popular until they find out the facts. It goes to only a third of married couples. Eighty-five per cent of it goes to men, not women. Only one in six families with children get it. You only get it if you have only one earner in the family. If you’re a hardworking family where both parents are going out to work, you get no help from David Cameron at all. A 10p rate would help all lower and middle income families and we say that’s a better way to use the money than the marriage tax break. We would do a mansion tax over £2 million pounds as well. So these things are all paid for, Andrew. I’m not making any spending commitments which we can’t show how we’ll pay for them at all.

ANDREW MARR:
What about the jobs guarantee because that’s your other huge policy?

ED BALLS:
It’s a very important policy because we will end up spending huge amounts if we allow long-term unemployment to become entrenched for young people. We are saying we can pay for a four year programme to get young people and the long-term unemployment a guaranteed job on the minimum wage, which they’ll have to take or lose benefit, through a one-off bank bonus tax, plus restricting pension tax relief for the highest earners over £150,000 to the same break as everybody else. It’s all paid for. We have made no spending commitments which we can’t show how we’ll pay for because we’re going to be responsible on public spending.

ANDREW MARR:
The bankers’ bonus, you have already said that you’re going to use to reverse VAT, the VAT rise, and indeed to pay for returning to the old level of child benefit. So that’s at least two ways you’ve spent that money already.

ED BALLS:
Well, look, the problem is we are in opposition. We haven’t spent it at all because we haven’t levied it at all. I’ve made a very clear statement the next Labour Government will have a bank bonus tax in the first year which will only be used to pay for the jobs guarantee for young people and the long-term unemployed. That’s it.

ANDREW MARR:
So you won’t be reversing the VAT rise and you won’t be able to replace the child benefit that we wanted?

ED BALLS:
Look, I have said some very tough things to the Labour Party and it’s hard. I’ve said we’re going to balance the current Budget in the next Parliament as soon as we can, get the debt falling.

ANDREW MARR:
Okay.

ED BALLS:
We will stick to their spending plans, the Government’s in 15/16. I can’t promise at all to reverse the VAT rise, which I think was a foolish mistake of George Osborne. I’m afraid I can’t do that.

ANDREW MARR:
It will stay?

ED BALLS:
Well, look, the problem is …
ED BALLS:  
(over) … the reason I’m daunted …

ANDREW MARR:  
(over) What about the cut in child benefit?

ED BALLS:  
(over) … is the size of the deficit we’re going to inherit.

ANDREW MARR:  
What about the cut in child benefit? Is that going to stay?

ED BALLS:  
Ed Miliband said last year – and he’s absolutely right – that when it comes to deciding our priorities for government when there’s a cost of living crisis which is hitting middle and low income families, is it going to be to restore child benefit to higher earners? I would like to do that, but I’m afraid we cannot promise or commit to do that. That can’t be a priority because at the moment we’ve got such a broad based cost of living crisis. What we can do is freeze energy prices for everybody. What we can do is introduce a 10p starting rate of income tax. Why doesn’t George Osborne act in this Budget where there’s a cost of living crisis? He boasts about recovery. For most people, they’re not feeling any recovery at all.

ANDREW MARR:  
Why is the 10p rate better than raising thresholds, which is the alternative way of trying to reach the same people?

ED BALLS:  
I think it’s better for work incentives because it cuts the marginal rate for people coming into the tax threshold at 10p rather than at 20p. I think it’s a good thing to do. It’s why we introduced it in the first place. Ed Miliband and I have both said it was a mistake to remove the 10p rate. It’s a good way to support work and help middle and
low income families and that’s why Labour will reintroduce the 10p rate.

**ANDREW MARR:**
So why did you scrap it in government last time round?

**ED BALLS:**
Well it was a mistake and …

**ANDREW MARR:**
Big mistake, yeah.

**ED BALLS:**
Well no, it was a mistake, and Gordon Brown made that decision and many people told him it was the wrong thing to do.

**ANDREW MARR:**
Including you?

**ED BALLS:**
Yeah. And one of the things you learn in life, I think, is that when you’ve made a mistake, you should admit it and learn from that. That’s where wisdom and experience counts.

**ANDREW MARR:**
*(over)* And when Gordon Brown’s made a mistake, you should admit it perhaps?

**ED BALLS:**
Well, look, I’ve made mistakes as well. We should have been tougher on regulating the banks when George Osborne kept telling me I was being too tough. You know the lesson I learned there was don’t listen to George Osborne, Andrew.

**ANDREW MARR:**
But to be absolutely clear about it, what you haven’t apologised for is the level of public spending and you’re not going to apologise for that under the last Labour
Government because you don’t think it was fair enough despite the level of debt afterwards?

**ED BALLS:**
Well, look, there was a global financial crisis which happened all around the world, which was a failure of regulation, and the deficit went up to stop a depression. At that point, we had the lowest level of national debt of any big country and George Osborne, the Conservative Shadow Chancellor, had matched Labour’s level of public spending. Am I going to apologise for the level of public spending that George Osborne, Alistair Darling and Gordon Brown agreed on in 2007? Absolutely not. What we did on the NHS was hugely important, the national minimum wage, not joining the Euro. But we made some mistakes and we should be honest about that because that is the way to show we’ve learned for the future.

**ANDREW MARR:**
(over) Both Alistair Darling and Tony Blair have said that in retrospect, knowing what they now know about what happened to the world economy, that spending was too high. You wouldn’t go that far?

**ED BALLS:**
Look, I think the economics of this is that we had a very low deficit, low national debt before the crisis, and what happened was a collapse in tax revenues because of the crisis. There was nothing which could have been done pre-crisis to raise taxes …

**ANDREW MARR:**
Yes.

**ED BALLS:**
… or to cut spending, which would have made any difference. The issue was the fall in tax revenues because of the crisis, so what you should have done is stopped the crisis happening in the first place.

**ANDREW MARR:**
As you know, the reason for asking you about this is because we have to trust you to
make huge, huge cuts after the election if you win. I mean massive cuts, including in welfare, and yet every time I talk to you about where are you going to make some of these big cuts, you respond with a spending commitment. Or you have in the past.

**ED BALLS:**
Well look today, Andrew, I’ve said to you that every spending commitment that I’m setting out is paid for and is costed.

**ANDREW MARR:**
But what about …

**ED BALLS:**
I’ve made no un-costed spending commitments at all. What I’ve also said …

**ANDREW MARR:**
*(over)* Just give me an example of where you’re going to cut and cut deeply to balance the books.

**ED BALLS:**
Look, we will match the government spending plans in 15/16, which will mean falling public spending. And we’ll go further. To get the deficit down in a fair way, we will re-introduce the 50p top rate of tax on incomes over £150,000. George Osborne is …

**ANDREW MARR:**
*(over)* It’s a tax rise, not a spending cut.

**ED BALLS:**
Look George Osborne is only ever tough when he’s having a go at the weak and the voiceless. Labour is willing to face up to people on the highest incomes and say I’m sorry, justifying a big tax cut at this time for people on higher incomes is not fair. We will take away the winter allowance from the richest pensioners. I think that’s the right thing to do. George Osborne may agree, but unfortunately he’s not allowed to say so. I’m facing up to difficult decisions, including cutting public spending.
ANDREW MARR:
Very quickly on HS2. We’re going to hear I think tomorrow from the new Chairman. If the Budget rises above 50 billion, will the next Labour Government under all circumstances cancel the project?

ED BALLS:
Well, look, back at our conference, I said I was very worried about mismanagement and rising costs. David Cameron and George Osborne, who’d lost a grip on this project, panicked and brought in David Higgins to do a review and that comes out on Monday. I hope he will show he’s got the costs down and got a grip on this project. If he does that, we will support this at second reading in the next few weeks. But at every stage in this project for the next few years – because it’s going to go into the next Parliament when the final decision is taken – I’m going to say there’s no blank cheque. The costs have got to come down, the assumptions have got to be robust. If this is not a value for money project, it shouldn’t be supported.

ANDREW MARR:
(over) So you are skeptical?

ED BALLS:
Look, I want to make sure the costs come down – and we’ve not seen the report yet. We will support this because I think investment in new capacity is needed North and South. And to be honest, there’s a bigger debate about what’s needed in the North and the current plans. We’ll support it at second reading, but we’ll continue to be vigilant, get the costs down. There’s no blank cheque from a Labour Government on this project.

ANDREW MARR:
Ed Balls, for now … We’re going to talk later on, but for now thank you very much indeed.

INTERVIEW ENDS