ANDREW MARR:
It is the Chancellor’s big day on Wednesday – his penultimate Budget before the Election, although in practice his last opportunity to make any significant changes. Despite the recovery, he doesn’t really have any money to play with, so what will be his priorities when it comes to sharing out his scarce resources? George Osborne is with me now. Good morning.

GEORGE OSBORNE:
Good morning.

ANDREW MARR:
Can we start by talking about the nature of the recovery? You said yourself it’s unbalanced and unsustainable. What needs to happen to make it balanced and sustainable?

GEORGE OSBORNE:
Well the message I’ll be giving in the Budget is that the economic plan is working,
but the job is very far from done. We need to build a resilient economy and that means addressing the long-term weaknesses in Britain - that we don’t export enough, we don’t invest enough, we don’t build enough, we don’t make enough. Those are the things I’m going to be addressing because we want Britain to earn its way in the world.

ANDREW MARR:
How?

GEORGE OSBORNE:
Well you’ve got to look at each of those things. What can we do to boost exports in this country? How can we link ourselves to the new emerging markets in the world? How can we support business investment in this country? I mean these aren’t new features of the British economy. They’ve been historic weaknesses that the very big economic recession has in effect exposed. And we have a choice here. We …

ANDREW MARR:
(over) But so far not really touched in this period in terms of improving the situation.

GEORGE OSBORNE:
Well the good news is that, for example, exports to places like China and India, which were pitifully low a few years ago, are now up thanks to the efforts of the Government; business investment is up. But I’m not satisfied. We’ve got to go a lot further and we’ve got to make sure we’re really getting to the bottom of what it is that provides economic security for the people of this country - the economic security of knowing you’ve got a job, that your country’s earning its way in the world, that you can deal with your debts, you’ve got your public finances under control. This is a long-term economic plan and we’ve got to go on working through that plan.

ANDREW MARR:
Very many Conservatives, as you know, want you to scrap the 40p rate to help the middle classes, and yet you seem to be heading with the Liberal Democrats towards raising the threshold yet again. Why are you doing that?
GEORGE OSBORNE:
Well I’m not going to talk about what’s going to be in the Budget, but I will say this. I am incredibly proud of what I have done, what the Conservative Party has done, and the Coalition has done to raise the personal allowance. This has been an income tax cut for 25 million people. It’s taken the lowest paid two million out of tax. And the benefits have been felt by those on the higher incomes, on the higher threshold – those earning £40,000, £50,000, £60,000 – so I think that is a misconception in this debate. It’s not that we are only helping those on low incomes, though of course we are. We’re also helping those on middle incomes and I’m really proud to be part of a government that is helping all of these people – hardworking people who deserve to keep more of their income tax free.

ANDREW MARR:
So when your predecessors like Lord Lawson and Lord Lamont say that you’re not doing enough for the middle classes and the aspiring middle as it were, they’re wrong are they?

GEORGE OSBORNE:
Well my priority has been to increase the personal allowance. That’s what I’ve done in Budget after Budget. We’re going to have a £10,000 personal allowance in just a couple of weeks’ time. And you know what that means is yes you’re taking the low paid out of tax – which by the way has always been a longstanding Conservative ambition – but we’re also helping those on middle incomes, and I think sometimes when you look at this debate you would get the impression that somehow increasing the personal allowance only helps people on low incomes. It helps people watching this programme whether they’re earning £20,000 or £50,000. It’s only people right at the top, people on incomes of over £100,000, who don’t get the benefit. So I think it is a very effective instrument for making sure that hardworking people keep more of their money and I’m really proud to have been part of a government that’s delivered that.

ANDREW MARR:
But huge numbers of people have been drawn into the 40p rate now – 5 million in total, which is a massive, massive number. It was never intended to get that number of
people in its net. Are you ever going to look at this again or is this something that you’ve just accepted - that’s how the tax system works. More and more people are dragged into the 40p rate forever and forever?

GEORGE OSBORNE:
Well we’ve set out plans to increase the threshold by 1 per cent. That will be the first increase in many years.

ANDREW MARR:
(over) Below inflation.

GEORGE OSBORNE:
And, as I say, because we’re increasing the personal allowance, there is this initial part of your income – up to £10,000 – that you get tax free. And you benefit from that, as I say, whether you’re paying the 40p rate, the 20p rate. Look I’m a low tax Conservative. You know I want hardworking people on all of these incomes to keep more of their income tax free. And by the way, you can only begin to deliver something like this if you’ve got a grip on the public finances, if your economy is growing, if you’re creating jobs in your economy …

ANDREW MARR:
(over) But in terms of your priorities …

GEORGE OSBORNE:
(over) And you know this is … You know this is because we’ve been able to do these things that we’ve been able to afford this increase in the personal allowance.

ANDREW MARR:
It’s just that in terms of your priorities, you sound more like a Liberal Democrat than a Conservative to many people.

GEORGE OSBORNE:
Well I don’t accept that at all. You know Conservatives believe in lower taxes. Liberal Democrats want to put taxes up. I as a Conservative Chancellor have taken
two million of the lowest paid out of income tax, have delivered an income tax cut for 25 million people. I’ve also, by the way, frozen fuel duty year after year …

**ANDREW MARR:**
*(over) Okay, let’s …*

**GEORGE OSBORNE:**
… helped keep council tax frozen. In other words, where I’ve been able to afford it, my priority has been to help the hardworking families of this country.

**ANDREW MARR:**
Let’s talk a little bit about the future if we may. What about the future for spending? It’s right that we’re not even halfway through the cuts that you need to deliver and so there’s half to come and in terms of some Budgets that’s going to mean cuts of 37 per cent in real terms over the next few years. That’s right, is it?

**GEORGE OSBORNE:**
Well we do have a lot more difficult decisions to come because the truth is this country got itself heavily into debt. It racked up a very big budget deficit. I think the question by the way for Ed Balls is why would he give the keys back to the person who crashed the car, but …

**ANDREW MARR:**
*(over) Well we’ve heard that phrase, yeah.*

**GEORGE OSBORNE:**
But you know we’ve got to make these decisions. You saw us in the last week – to take difficult decisions on public sector pay, difficult decisions to make sure that we can afford public sector pensions. So we have to go on making these decisions and that will include decisions in the next Parliament. I’ve set out the kind of spending cuts, the size of the spending cuts that are required. I’ve also said that if you want to try and reduce the impact on some of these government departments, you should also be looking for savings in welfare. And one of the things we’re going to be introducing now …
ANDREW MARR:
(over) Is the welfare cap.

GEORGE OSBORNE:
… is a welfare cap. And that’s one way of making sure that a very big part of
government spending is actually properly controlled.

ANDREW MARR:
Explain to us how that’s going to work because at the moment the welfare
budget is meant to increase year by year for a few years in real terms as well as in cash terms
obviously.

GEORGE OSBORNE:
Well the odd thing about the way the public finances are organised at the moment is
that we have a lot of control over the education budget or the defence budget. We
don’t have control really over the overall welfare budget. Now we’ve taken measures
to bring the budget down by dealing with individual welfare payments.

ANDREW MARR:
So how does the cap actually work?

GEORGE OSBORNE:
Well the cap sets a total. Of course …

ANDREW MARR:
(over) And will that … Sorry, will that be based on current spending or would it be
based on an entirely new figure that you’re going to produce?

GEORGE OSBORNE:
I’m afraid you’ll have to wait for Wednesday when I’ll set the level of the cap. But
what it really says to people is look if you as a government want to spend more on
welfare, then have the honesty to go and tell the British people about it, have the
honesty to come to Parliament and seek parliamentary approval for doing …
ANDREW MARR:
(over) So what happens when you hit … if you hit the cap?

GEORGE OSBORNE:
Well you have a choice. You can either come to Parliament, try and win a parliamentary vote, explain to the public what you’re doing, or take the difficult measures to reduce the welfare bill.

ANDREW MARR
(Marr over) Just…just turn the tap off.

GEORGE OSBORNE:
The truth is that the welfare bill went up and up and up even before the crash and people didn’t really focus on that because the Government at the time didn’t tell people the truth about that, and then suddenly we discovered we had a welfare system that not only we couldn’t afford but also had these very perverse incentives that made it better for some people to stay out of work than be in work.

ANDREW MARR:
Yes.

GEORGE OSBORNE:
We’re changing all that and the reforms that Iain Duncan Smith and myself have brought in I think are one of the most …

ANDREW MARR:
Okay.

GEORGE OSBORNE:
… progressive things that any government has ever done.

ANDREW MARR:
Ed Balls said that his big priority was house building. Have you got house building plans ahead?

GEORGE OSBORNE:
Well a key part of economic security is the security of being able to afford your own home. Now our Help-to-Buy Scheme has helped people into homes and it’s helped build new homes, but I want to extend the Help-to-Buy Scheme for newly built houses. It was going to end in 2016. We’re now going to extend it for the rest of the decade. That will mean 120,000 new homes. We’re also for the first time in a hundred years going to build a garden city in Ebbsfleet, in the Thames Estuary. This means more homes, this means more aspiration for families. This means economic security and economic resilience because Britain has got to get building.

ANDREW MARR:
Okay what is the scale of your house building ambitions? Ed Balls is talking about 200,000 homes in a year.

GEORGE OSBORNE:
Well, as I say, by extending Help-to-Buy for newly built houses - not the mortgage scheme, the shared equity scheme …

ANDREW MARR:
(over) I’m looking for a figure.

GEORGE OSBORNE:
(over) …this means … this is 120,000.

ANDREW MARR:
A hundred and twenty thousand. In Ebbsfleet or everywhere?

GEORGE OSBORNE:
No, that’s across the country.
And in Ebbsfleet itself?

**GEORGE OSBORNE:**

And in Ebbsfleet, well the initial plans will be for 15,000 homes. I’ve spoken to the local MPs. They’re enthusiastic about it. We know that local people want to see the regeneration. We’ve got a high speed stop actually on the high speed line to the Channel Tunnel, so it’s closely linked to London, and it will be …

**ANDREW MARR:**

*(over)* Fifteen thousand is a huge amount, isn’t it?

**GEORGE OSBORNE:**

Well it will be a proper garden city. It’s not something this country’s attempted for decades. But that’s one of the messages of my Budget. You know Britain has to up its ambition, Britain has to up its game, Britain has to earn its way in the world. Yes the economy is recovering, but that is not enough. We’ve got to finish the job.

**ANDREW MARR:**

I don’t want to be offensive in any sense to Ebbsfleet, but a lot of people have said that this or thought that this new garden city would be in Oxfordshire or somewhere up in the richer parts of the country. Why have you chosen Ebbsfleet?

**GEORGE OSBORNE:**

Well Ebbsfleet, there is the land available, there is fantastic infrastructure with a high speed line. It’s on the river. It’s in the South East of England where a lot of the housing pressure has been and, crucially, you’ve got local communities and local MPs who support the idea. We’re going to create an urban development corporation, so we’re going to create the instrument that allows this kind of thing to go ahead – in other words sort of cuts through a lot of the obstacles that often happen when you want to build these homes.

**ANDREW MARR:**

Will we see turf cut before the Election?
GEORGE OSBORNE:
Well I hope we will get go… There are already some homes being built on the site, so actually progress was underway but it was on a much much smaller scale and with much less ambition than what I’m setting out today. You know I think this is … When you look at Letchworth or Welwyn Garden City or Milton Keynes, you know our predecessors, they had the ambition to build for Britain. And what this ultimately means is a family who today may be in good jobs, they simply cannot afford to buy a house, and I’m not as a Chancellor prepared to let that rest.

ANDREW MARR:
Are there a ridiculous number of Etonians in the cabinet, old Etonians?

GEORGE OSBORNE:
Well you’re referring to Michael Gove.

ANDREW MARR:
I am referring to Michael Gove, yes.

GEORGE OSBORNE:
I read that interview because I saw the headlines. You know what Michael Gove is talking about in that interview …

ANDREW MARR:
(over) Is the ridiculous number of old Etonians around the Prime Minister.

GEORGE OSBORNE:
He’s talking about what he is passionate about, which is improving the education in this country. And I think when you look at the achievements of this government …

ANDREW MARR:
Yuh.

GEORGE OSBORNE:
… it’ll be turning the economy around and welfare reform.
ANDREW MARR:
It is a very straightforward question.

GEORGE OSBORNE:
But it will also be improving the education in our state schools. Michael I think has
done an incredible job as Education Secretary in doing that.

ANDREW MARR:
(over) In raising the number… in raising the question of the ridiculous number of old
Etonians at the top of government.

GEORGE OSBORNE:
Look you read the interview. He’s making the point that he wants the very best
education in our country to be in our state schools and it’s something we can be
everously proud of – his achievement in education.

ANDREW MARR:
Well if we want more old Etonians around, what about Boris? Would you like to see
him in the House of Commons before the Election or at the Election?

GEORGE OSBORNE:
Well first of all it’s entirely up to Boris what he wants to do.

ANDREW MARR:
No, I was just asking.

GEORGE OSBORNE:
I have worked incredibly well with Boris Johnson for many years. Indeed I regularly
speak to him. And in this Budget, there are things we’re going to be able to do for
London. In fact more houses at a site called Barking Riverside, which he is passionate
about. That needs Central Government assistance too. So we’ve worked together to
deliver Crossrail, to deliver the Olympics on time. We work really, really closely
together. And so all … I honestly …
ANDREW MARR:
(over) So it sounds you’d love him back in the House of Commons then?

GEORGE OSBORNE:
Sometimes you read in the papers about people you don’t in honest truth get on with and it appears in the papers, but I read about not getting on with Boris Johnson. That is just not true. I get on very well with him and I think we’re delivering together for the people of London in the way that the people of London would expect of their Mayor and their Chancellor.

ANDREW MARR:
And you’d like to see him back in the House of Commons?

GEORGE OSBORNE:
Well if he wants to come back in the House of Commons, absolutely – at the next Election or whenever. But that’s his decision and I think he’s doing a fantastic job as the Mayor.

ANDREW MARR:
George Osborne, thank you very much for now.

INTERVIEW ENDS