JEREMY VINE:
So Wednesday is Budget Day and we were supposed to be out of the recession by now, growing strongly, according to the Chancellor’s early predictions in 2010, but of course they’ve been ripped up and the UK is staring into a possible triple dip recession. Growth would lift us out, but Mr Osborne’s critics argue growth won’t come without more public spending and he is committed to what is called Plan A - reducing it. So if Plan A is not working, will Wednesday’s Budget modify it? Let us ask the Chancellor directly. Good morning to you.

GEORGE OSBORNE:
Good morning.

JEREMY VINE:
You heard Ed Balls there talking about need for desperate measures on building, on tax cuts and so on. What’s your reaction to what he had to say?
GEORGE OSBORNE:
Well we have to go on in this Budget confronting the very difficult economic problems that Britain has - difficult problems in a difficult world situation, as we see with Cyprus today - and doing everything we can to help those who aspire to work hard and get on, and that’s what I’ll do in my Budget on Wednesday.

JEREMY VINE:
You can argue that you didn’t create the mess, but you haven’t got us out of it, have you?

GEORGE OSBORNE:
Well we’ve had a very difficult economic situation where the banks of course are still weak after the financial crisis, where the rest of the world has problems - as we see on our television screens again today - and where frankly for a decade or more Britain did not connect itself to the fast growing parts of the world and was overly exposed to exports to Europe. So we’ve got to change a lot of things and it’s painstaking work and it’s difficult work, but there is no easy answer to Britain’s problems, there’s no miracle cure because of course if there was a miracle cure it would have been deployed. It’s just a lot of hard work of dealing with Britain’s debts, helping businesses create jobs, helping families who want to work hard and get on.

JEREMY VINE:
We are watching those extraordinary pictures from Cyprus as an example of what happens when an economy gets near the edge. Now your comment on that - people trying to pull money out of the banks because they’re being … essentially their accounts are being tapped.

GEORGE OSBORNE:
Well, first of all, that is an example in Cyprus of what happens if you don’t show the world that you can pay your way. I mean that is why in Britain we’ve got to retain the confidence of world markets. And what I’d say specifically about the Cyprus situation - first of all, we are not part of the bailout because David Cameron got us out of these euro bailouts when he became Prime Minister. Second, I’d say that the Cypriot banks in Britain - this is important because there are many thousands of people who bank
with Cypriot banks in Britain - those banks are not going to be included in this bank tax. Of course it’s a very difficult situation for people who live in Cyprus, but I can tell you that for people serving in our military, people serving our government out in Cyprus - because we have military bases there - we are going to compensate anyone who is affected by this bank tax. People who are doing their duty for our country in Cyprus will be protected from this Cypriot bank tax.

JEREMY VINE:
Were you shocked when you saw that happen?

GEORGE OSBORNE:
Well I think it’s just a reminder of the very difficult …

JEREMY VINE:
(over) It’s more than that. It’s an extraordinary situation of how bank accounts actually fund …

GEORGE OSBORNE:
(over) Well it is an …

JEREMY VINE:
… taken money out.

GEORGE OSBORNE:
Well it is an extraordinary situation, but frankly - and I remember coming on this show a couple of years ago and we were talking about Greece then - and since then we had Ireland and Portugal, problems in Spain, problems in Italy, now in Cyprus. I mean anyone who thinks that Britain is alone in having these challenges should look on their TV screens, look at tonight’s news, realise that it’s a very tough economic situation out there. And unless we in Britain front up to our own problems - the problems in our banking system, the problems that we’re borrowing so much money …

JEREMY VINE:
Okay …
GEORGE OSBORNE:
… the problems that actually our businesses need more help to create jobs - if we
don’t do those things then the difficult economic situation in Britain will get very
much worse.

JEREMY VINE:
You are getting advice from all sides - not least from quite close to you, from Vince
Cable who thinks you should borrow more. He said, “We’ve done very brave things
in the first spending round. We’ve got to the point where further significant cuts are
doing enormous damage.” So he wants you to hold off the axe, stop cutting.

GEORGE OSBORNE:
Well the first thing I want to say is something that Ed Balls said in his interview just a
few minutes ago. He said that borrowing has gone up. Actually we have reduced the
deficit by a quarter, so borrowing has come down since we came to office and we’ve
taken tough decisions …

JEREMY VINE:
(over) You’re borrowing faster than you were a year ago.

GEORGE OSBORNE:
We have taken tough decisions. We’ll produce our economic forecast on Wednesday.
But the deficit has come down by a quarter since I became the Chancellor. We’ve
created over a million private sector jobs with the help of businesses. In fact we’ve
got more people in employment in this country than at any point in its history. And
when it comes to capital spending, we are actually spending more on the roads, the
railways, the broadband than frankly the last Labour government was planning to. But
I agree that we need to spend more on capital, which is why I have taken a decision in
December to increase the spending on capital, but paid for. In the end this country’s
got to pay its way. We can’t just keep on thinking the answer to our problem is more
borrowing. You can’t get out of a debt crisis by borrowing more and more.

JEREMY VINE:
Okay, so we’re reading today in the papers that you are going to do something on housing. That’s one area where you can put money into the economy. So what is it?

**GEORGE OSBORNE:**
Well I would say this. I want this Budget to back people who work hard and want to get on. I want to back people who aspire to own their own home, to start their own business, people who aspire to a better retirement and a better pension. These are the things that we will support. These are the people we will support.

**JEREMY VINE:**
So when will you …

**GEORGE OSBORNE:**
People who want to, as I say, do better for themselves, leave something to their children, have a better life, aspire to something better because they are the wealth creators in Britain. When we get them energised, we’ll get the entire economy energised.

**JEREMY VINE:**
When we read that £10 billion of new money is going to housing, is that going to be new money?

**GEORGE OSBORNE:**
Well I’m not going to set out the Budget today. We are already helping people buy their first home with our First Buy Scheme. We’re helping people get a mortgage with our new buy scheme, so we have a housing scheme out there that …

**JEREMY VINE:**
*(over)* It’s not working. We’re on the edge of a triple dip recession. It’s not working!

**GEORGE OSBORNE:**
It is helping people buy homes who previously could not afford them.

**JEREMY VINE:**
And the economy’s not growing.

GEORGE OSBORNE:
Our Funding for Lending Scheme is helping mortgage rates now reach record lows - record lows since the financial crisis. We are helping people get jobs. We’ve got the fastest rate of job creation. Now I know it’s a very tough economic situation out there. It is a tough economic situation for any Western nation at the moment. I also know that I carry the legacy of a country that made a huge amount of mistakes in the last decade and we’ve got to put those mistakes right. We had a bloated banking system, we’ve run up debts we couldn’t afford to pay back without difficult decisions. So I know these are the problems that I have to tackle as the Chancellor, but the only way through for this country is to confront those problems head on and energise the people who are actually going to get the economy moving, the people with aspiration.

JEREMY VINE:
I mentioned advice from Vince Cable. You got advice from the right as well, from Liam Fox, just a few days ago, your former colleague in the cabinet who called on the government to freeze public spending for five years and spend the money saved on cutting taxes in the deficit. Why not do that?

GEORGE OSBORNE:
Well first of all I have a huge amount of time and respect for Liam Fox who’s a friend of mine, and I would say we are going to have to take more difficult decisions on public spending. I’m going to set out the envelope of the further savings required from departments in 2015. Wherever I can help people, I have - so we’ve increased the tax free personal allowance. Actually again something Ed Balls said just a few minutes ago was the only tax cut is a tax cut at the top rate. That’s not true. Next April there is a tax cut for 24 million working people when we increase the tax free personal allowance by the largest amount ever. So we are doing …

JEREMY VINE:
(over) He’s talking about public spending.

GEORGE OSBORNE:
Well we are going to have to take difficult decisions. I will set out what the envelope
will be, you know what is going to be required from government departments, and then we’ll have a spending review in June to divvy that up.

**JEREMY VINE:**
Okay both Cable and Fox agree on something, which is that you’ve made a mistake ring fencing budgets. Is it time to look at the fact that you’ve made a commitment to keep NHS spending growing, keep it where it is, and the result of that (people say) will be something like the Ministry of Defence having a 30 per cent cut in five years time?

**GEORGE OSBORNE:**
I don’t think it’s wrong to protect the NHS budget. I think the NH…

**JEREMY VINE:**
Or the overseas aid budget?

**GEORGE OSBORNE:**
The NHS is incredibly important for everyone in this country and we’re absolutely going to do right by the NHS. And I also think - and I agree with what Tamsin was saying just on this show a few minutes ago - that we made an obligation to the world’s poorest. We’re going to meet that obligation next year with our .7 per cent of our national income going in aid. But the clue is in the .7 per cent. You know it is not a huge proportion of our government budget or our national income. So it is a moral commitment. It’s also I think actually sound foreign policy, if I can put it like this, for Britain, because where do we end up having to intervene - often you know militarily in areas where there’s been a collapse of good governance, where poverty has shot up. You know often …

**JEREMY VINE:**
*(over)* But I’m talking really about ring fencing.

**GEORGE OSBORNE:**
*(over)* … it’s often where the West has to get involved, so …
JEREMY VINE:
Are you planning to go into the next election ring fencing the NHS? Is that practical -
ring fencing overseas aid with this amount of cutting going on?

GEORGE OSBORNE:
Well, look, we’ve made a very strong commitment and the Prime Minister has made a
strong commitment to protect the NHS and people should know that the NHS is safe
in our hands. They can look at what happened in Mid-Staffordshire, see how badly
managed it was before, see how things are getting better in our NHS now. So you
know what I would say is the NHS is very important and we want to help people who
rely on it - people who are young, people who are also old. And also I can say that in
the coming week, tomorrow, we’re going to say that we’re going to bring forward the
Dilnot cap, the so-called cap on social care costs, so people are protected from the
rather random costs of getting a disease late in life and seeing your home sold to pay
for those care costs. So we will bring the Dilnot cap forward to 2016 and indeed
reduce the cap to £72,000. In other words, you’ll have to pay £72,000 of care costs,
but after that (for the rest of your life) those care costs will be covered by the state.
And we’re also bringing forward the single tier pension. We said it was going to come
in later. It’s now going to come in in 2016. That’s a generous pension for pensioners.
It’s a huge boost for people who want to save for their retirement. And that is another
example of how this government is helping people who want to save, people who
want to leave something to their children like their home, people who want to get on
in life, people who do the right thing …

JEREMY VINE:
(over) Okay, let me just ask you …

GEORGE OSBORNE:
… and those two decisions are going to be enormously helpful.

JEREMY VINE:
… let me ask you about some specifics that we might see on Wednesday and we’re
seeing these trailed in the papers already. Childcare and a scheme involving working
mums being given seventeen hundred pounds worth of vouchers.

GEORGE OSBORNE:
Well I’m not going to reveal the Budget or other announcements in the coming week, but what I can say is we are going to help people with childcare and we’ve made that clear right from the beginning of this year. I’m absolutely on the side of working mothers who have an incredible difficult balancing act, but who want decent, affordable childcare and want to make it worthwhile for them when they work - in other words help them with the costs of childcare and help them with the tax bill they pay when they go out to work.

JEREMY VINE:
In addition to what you’ve just said, are you about to announce something on helping people save for their pensions?

GEORGE OSBORNE:
Well, as I say, we’re going to bring forward the single tier pension, this new generous pension, to 2016. I mean people understand, by the way, that of course we’re all having to work longer because everyone’s ageing more and we’ve had difficult decisions on the state pension age. That means that we can afford to be generous with our pensions, with our pension benefit. It’s by taking those sort of long-term decisions about the cost of our welfare system for our country that we can actually afford to support people who do the right thing.

JEREMY VINE:
Why is it do you think that Lord Ashcroft, your big funder, says you seem indifferent to the things that keep people awake at night?

GEORGE OSBORNE:
Well I don’t think that is what he said. It’s how some people have interpreted what he said. But, look, of course I am …

JEREMY VINE:
*(over)* Almost as if you’re disconnected a bit.
GEORGE OSBORNE:
I am well aware of the very heavy responsibilities that come with my office, particularly at a time like this. This is probably the most difficult economic situation that anyone doing my job has had to face, but I’m absolutely determined to do the right thing - to do the right thing by our economy and the right thing by the people who live in this country. Not the easy thing, not the popular thing, not the thing that gets me through an interview on a programme like this but actually leads to economic disaster down the track.

JEREMY VINE:
(over) You don’t think you’re becoming …

GEORGE OSBORNE:
(over) We’ve got to confront …

JEREMY VINE:
… becoming the problem here in some way with polls saying they show people two policies. They like one and not the other. Then they say oh the one you like is George Osborne’s policy and they switch?

GEORGE OSBORNE:
It’s not a popularity contest, this job. It’s about doing the right thing for our country. As I say, you know it would be easy for me to say you know what, let’s spend a lot more, let’s cut every tax - as you just heard Ed Balls literally go through every tax in the tax system and say “I’m going to cut …” It’s easy to say those things, but it would be a disaster for our country. Look at what’s happening around the rest of Europe with countries that did not face up to their problems. We don’t want to see that in Britain and we’re not going to see that provided we go on confronting head on this country’s economic problems.

JEREMY VINE:
You’re not in a situation though where you’ve got too many jobs. You’re Chancellor. You’re also running the Conservatives’ re-election campaign doing strategy and all of
that and one of them has to go, doesn’t it?

GEORGE OSBORNE:
Look, I’ve got one job, which is to be Chancellor of the Exchequer. I’m also the MP for Tatton, but my job here in Westminster …

JEREMY VINE:
(over) But why do that strategy stuff? Why do the strategy stuff?

GEORGE OSBORNE:
(over) … my job here in … Look, my job here in Westminster is to be the Chancellor of the Exchequer. And of course the political fortunes of the government are tied to the economic fortunes of the country and I think people see that it’s a difficult situation but we’re making progress, we’re on the right track, and that to turn back, to give the keys back to the people who crash the car - as would be the case if they elected a Labour government - would be a total disaster for the economy of this country.

JEREMY VINE:
Do you think Mr Cameron and your colleagues are going to get a bloody nose on Leveson on Monday? The Commons may well vote for a Labour Lib-Dem alternative.

GEORGE OSBORNE:
Well, first of all, we want to make sure we have a system of press regulation that prevents the abuses that we saw in the past happening again, but also make sure we have a free press in this country. That’s such a precious thing. People fought and literally died to give us free press. And I would say we’ve made a huge amount of progress. The other political parties now accept we should have a Royal Charter rather than some all-singing, all-dancing Leveson law, so the Prime Minister has already achieved a huge amount in protecting a free press from those who would want to undermine it. I would say it will be great on Monday if we can get some kind of agreement even at this late stage between the parties because, frankly, I think press regulation that is achieved in a way that divides the political parties is not press
regulation that’s really going to last and it’s not going to be a press regulation which is deeply rooted in our culture. And so I would say I think there is still an opportunity for us to get together and get a press law that works. Ultimately we’re not about grandstanding on this. We’re about getting a press law that works …

**JEREMY VINE:**
(over) You’re going to get your back …

**GEORGE OSBORNE:**
(over) … and protects the press and gives justice to victims of press abuse.

**JEREMY VINE:**
You will be whipping your backbenchers through with the party line on Monday, will you? So you will see some of them go and vote with the Labour and Lib-Dem option?

**GEORGE OSBORNE:**
Well let’s see what happens.

**JEREMY VINE:**
Are you whipping them or not?

**GEORGE OSBORNE:**
Well let’s see what happens on Monday. Of course there’s a government position, but I think there’s an opportunity to bring people together. The big decision, which is not to have a Leveson press law but actually to have a royal charter has been taken and the other parties have conceded that, so now we’re into other issues. But, as I say, the key thing here is a press law that works and that I think commands as much support as possible or else it’s actually not going to last.

**JEREMY VINE:**
George Osborne, Chancellor, thank you.

**INTERVIEW ENDS**