JEREMY VINE:
Now Ed Balls seems to quite like his role as the chief irritant of the government. He can be seen most Wednesdays taunting the Prime Minister and his Chancellor at the weekly Prime Minister’s Questions session. Urgent, sweeping movements of his hand like that, reminding the Prime Minister that the economy is flat lining are his trademark. But polls today show that while the Chancellor is failing to convince voters that he’s providing the right economic promises to promote growth and eliminate the deficit, the Labour alternative doesn’t inspire people either. So quite a task facing the Shadow Chancellor, Ed Balls, in this Budget week. Good morning to you.

ED BALLS:
Good morning, Jeremy.

JEREMY VINE:
So if this was your Budget, what would you do?
ED BALLS:
I would act to stop the economy flat lining because the reason why the deficit is going up, the reason why families are under so much pressure is because the economy’s not growing; and unless you get growth into the economy, then you can’t make things better and get the deficit down. The idea that the only tax cut which makes sense at the moment is for people earning over £150,000, a millionaire’s tax cut - if I was George Osborne, I would not go ahead with a top rate tax cut. I would say let’s build some homes to get people back to work. I’d repeat the bank bonus tax to get young people back to work. I would have a mansion tax on properties over £2 million to cut taxes, the 10p rate reintroduced. To be honest, any tax cut for middle and low income families is better than none.

JEREMY VINE:
But the trouble is …

ED BALLS:
So if George Osborne cuts the basic rate, that would be a good thing.

JEREMY VINE:
Everything that you’ve suggested involves running up an even greater debt, doesn’t it? Your prescription is just to spend.

ED BALLS:
But the position we’re in, Jeremy, is that borrowing is now higher whoever is in government; and the reason borrowing is much higher - £200 billion more than George Osborne said - is because the economy’s flat lined. His plan has failed.

JEREMY VINE:
But you can’t borrow to promote growth, can you?

ED BALLS:
Well of course you can. Vince Cable, the International Monetary Fund, myself, many others are all saying unless you get the economy moving, unless you get some growth back, the deficit will stay high. Whereas if you act now with some stimulus to
kickstart the economy, that’s the way to get growth moving and get the deficit down.

**JEREMY VINE:**
But the deficit gets higher still, doesn’t it? That’s why we lost our triple A rating because the deficit’s so high. So you spend more, the deficit gets higher. You’re in even more trouble.

**ED BALLS:**
Well then I’ve been saying to George Osborne and David Cameron in the last few weeks, they would fail GCSE Economics with their analysis because the reality is if the economy doesn’t grow, if there’s no … if there’s fewer people paying taxes, there’s a bigger benefits bill, the deficit goes up - if you then say I’m going to plough on with the same policies, the deficit gets even bigger. George Osborne said, “I’ll secure the recovery.” We had a double dip recession. He said, “I’ll get the borrowing down.” It’s going up. He said, “I’ll secure the triple A rating.” We’ve now lost it. The only reason why they won’t now change course is to avoid their own political humiliation and that is no reason to stick to a failing plan. A stimulus now, kickstart the economy, get growth moving. That’s the only way to get the deficit down.

**JEREMY VINE:**
The Conservatives have actually cut less than you promised to cut at the last election, haven’t they? You said you’d …

**ED BALLS:**
*(over)* Of course they have.

**JEREMY VINE:**
…. halve the deficit by 2014.

**ED BALLS:**
Of course they have. They’re borrowing more.

**JEREMY VINE:**
Yes, but the point is you were offering greater cuts in the budget deficit. You’re now
going the other way.

**ED BALLS:**
But let’s get into the economic analysis of that statement. Why are they spending more? Because the welfare bill is up by over £10 billion and the tax revenues aren’t coming in because the economy’s not growing.

**JEREMY VINE:**
Well their arg…

**ED BALLS:**
There are £200 billion more because they failed and you’re saying I should sign up too. Well, look, spending cuts and tax rises have choked off recovery. Let’s have even bigger spending cuts and tax rises. That is the economics of the lunatic farm. You’ve got to get the economy moving.

**JEREMY VINE:**
And you’re talking about tax cuts, you’re cutting about cutting VAT and a cut in the marginal rates of tax lower down. Is that correct? So basically an income tax cut?

**ED BALLS:**
Look, I would like a number of things including a boost to housing, including a tough jobs guarantee for young people and the long-term unemployed.

**JEREMY VINE:**
Are we just talking about the tax cuts here, yeah?

**ED BALLS:**
Well I think the fastest and best way to get the economy moving, help families and get the deficit down would be a VAT cut. I think reintroducing the 10p band for middle and low income families would be a good thing to do paid for by the mansion tax, but if George Osborne would like to cut the basic rate, we would support him. Anything which helps middle and lower income families is good. But he’s cutting the taxes only for millionaires. Why is he doing that?
JEREMY VINE:
(over) But you are suggesting … you’re suggesting a cut in income tax. Is that correct?

ED BALLS:
I would like a VAT cut would be my first proposal and a national insurance cut to small firms. We would like to reintroduce the 10p income tax band, which is a tax cut for middle and low income families. But I’m saying if George Osborne … At the moment he seems to have a rule which says however bad things are and however much the borrowing goes up, I can do nothing, and that’s why his back benchers are so frustrated. I’m saying if he wants to cut the basic rate, we’d support him on that as well.

JEREMY VINE:
Ah, now you see that’s what I’m driving at because we see that in the papers today and yesterday - that you want a cut in the basic rate of income tax - so I’m just trying to get some clarity there. Do you or don’t you?

ED BALLS:
What I want is a stimulus to give some support to middle and low income families as part of a balanced plan to get the economy moving and get the deficit down. I think a VAT cut and a small business tax cut is the best thing to do, but if George Osborne can’t do the VAT cut because I proposed it, he can’t do the national insurance cut because I proposed it, he can’t reintroduce 10p because I proposed it - at least if he wants to cut the basic rate of income tax, which would help people on middle and some lower income families, that’s better than nothing. If that’s all he did, it wouldn’t be enough. If he does nothing, it’s terrible. If he goes ahead with a tax cut for millionaires; that is worse than nothing.

JEREMY VINE:
Let me ask you, changing subject, about Leveson and this big vote tomorrow. The government is pretty much offering what you wanted, isn’t it, on press control, so why disagree?
ED BALLS:
I think - and look I was a journalist for a number of years - what I want is a free press acting in a responsible way and for us to learn lessons and get beyond some of the terrible things which have happened. Our first duty has got to be to the victims. I’m not talking about powerful victims, I’m talking about ordinary families. The Dowlers have said that they think what the Prime Minister is proposing doesn’t go far enough. If the victims (like the Dowlers) are themselves saying that it is a betrayal by the Prime Minister not to go ahead with the Leveson proposals, then that is a com…clear disregarding of their views. I think he’s letting the country down.

JEREMY VINE:
But you changed tack, didn’t you, because you were set to agree last week and then something happened? Did you get lent on? Were you told don’t agree with Cameron because we can’t support this, campaigners can’t support it?

ED BALLS:
I don’t think so at all. I think that there was a possibility of a consensus and the Prime Minister blew it apart on Thursday. Labour’s always been clear that a Royal Charter agreed (and I am a privy counsellor) by ministers in the Privy Council is not enough. It’s a way forward, but it’s got to be underpinned by statute to have proper independence. You can’t have a position where the press veto who’s on the independent panel. You’ve got to know that this body can do proper investigations, that they actually can make sure there’s proper address, a page one correctional apology. Those things don’t go far enough in the Prime Minister’s proposals. But you know don’t take my word for it. Listen to ordinary families who say we’ve had a very, very hard time and this is a betrayal of Leveson. I think that’s a real abjection of public responsibility.

JEREMY VINE:
And you think at the end of tomorrow, you think there will have been a vote that underpins press regulation by law, which is the key thing here?

ED BALLS:
I hope so. Look we have a Prime Minister who is weak and flails around and blames anybody rather than taking responsibility himself, but he’s still got twenty-four hours. Maybe he’ll reflect upon what he’s doing.

**JEREMY VINE:**

*(over)* Do you think you’ll win?

**ED BALLS:**

*(over)* Maybe he’ll look back at what he said to the Dowlers and others a few weeks ago and change his mind. I think we have got a good chance of winning the vote, although you’re a student of politics like me - you never know how things are going to turn out until you actually get into those voting lobbies. But the Labour Party, the Liberal Democrat Party are united. There are many Conservatives who are very unhappy with what the Prime Minister has done. He said he would accept Leveson unless it was flawed. It’s a good report, he should accept it. He’s walked away because he’s weak and under pressure and it’s not too late for him to think again on Leveson and on the economy.

**JEREMY VINE:**

Thank you. Thank you very much, Ed Balls, Shadow Chancellor.

**INTERVIEW ENDS**