THE ANDREW MARR SHOW

INTERVIEW:

VINCE CABLE, MP

BUSINESS SECRETARY

NOVEMBER 18th 2012

ANDREW MARR:
Now to another politician watching European politics like a hawk, who is the Business Secretary. But Vince Cable has issues rather closer to home to worry about as well - that rather grim warning from the Bank of England Governor about the “long and winding road”, as he called it, to recovery; more austerity, which perhaps helps explain why the coalition isn’t exactly hugely popular at the moment and his own party, the Liberal Democrats, came fourth in this week’s Corby by-election. Mr Cable is talking tomorrow to the CBI about growth and a brighter future. Welcome. Can I ask, first of all - we’ve just been talking about Europe - whether you are worried about a change in tone on the Conservative side of the coalition, not just this week in talks about freezing the budget but ahead, trying to get a radical renegotiation of a relationship?

VINCE CABLE:
No, I think it’s right that the Prime Minister takes a hard line on the budget. I mean it’s completely unacceptable to those of us in government who are having to make big cuts in our own department that the European budget isn’t being properly controlled and that the bureaucracy in Brussels isn’t making economies. Absolutely right. I’m going to Brussels tomorrow, as it happens, to argue the case for further advances in
the single market which produces jobs for hundreds of thousands, perhaps millions of British people. So I mean you know we have to keep pushing for reform on the European Union, it needs reform, but we can do it from inside the system.

**ANDREW MARR:**
Yes. Now you’re going to be talking about the importance of science and engineering and supporting industry and I want to come onto that, but first of all we have the small matter of the Autumn Statement and more austerity going to be required. The Conservatives are very clear that they want to cap and freeze more of the welfare budget, but you have been, your party has been trying on the other side to ensure that the rich are going to pay a little bit more, better off people are going to pay more as a kind of quid pro quo. How have you got on?

**VINCE CABLE:**
Well I think that’s a good summary of where the negotiations are. You know you’re quite right that there needs to be a sense of fairness and the best off people in society have got to contribute more. And there are arguments around taxation, as you probably read this morning …

**ANDREW MARR:**
Yes.

**VINCE CABLE:**
… about property taxation. I don’t know exactly where that’s got to, but it will be resolved in the next few weeks. But certainly the principle is right - that the people at the top of society, the best off, have got to pay more. And of course that includes companies because we’ve had this appalling story of abuse of company taxation. But on your general proposition, I mean we’re not … I don’t think there’s any need to pour additional austerity on top of the programme that we’ve already got. We’ve got a deficit reduction programme; we’re going to stick to it. It’s got to be supported by policies to expand demand, which is where the Governor of the Bank of England comes in, and by long-term policies I’m going to be talking about to the CBI, which is about investing heavily in science and technology, in apprenticeships, having an industrial strategy, getting banking lending, you know which is also why we’ve got
the Green Investment Bank and the new Business Bank.

ANDREW MARR:
And yet when it comes to taxation, there’s been clearly a serious row inside the coalition, certainly among Conservative ministers, about what kind of tax it should be. George Osborne has ruled out mansion tax publicly, which leaves a possibility of higher stamp duty or possibly higher council tax bands. Is that the area that you’d expect us to see change?

VINCE CABLE:
Well I know this is all under discussion and, as with so many of these things, the devil is in the detail. But it is right that we do tax wealth …

ANDREW MARR:
Property is the obvious place.

VINCE CABLE:
… and it is the obvious place to go. And one of the reasons it’s the obvious place isn’t simply that it’s fairer; it’s that property can’t run off to Monaco and Lichtenstein. You know if you’re trying to deal with abuse of the tax system, this is the best way of doing it.

ANDREW MARR:
Speaking of running off to other tax jurisdictions, let’s ask about this huge story this week: Yahoo, Google, Starbucks, Amazon have all been in the frame for not paying a fair share of tax. This is a fundamental issue, is it not, of national sovereignty and the rights of governments versus international companies? Is there any way of breaking through, forming some kind of new international agreements - I don’t know - whereby you can make these companies pay a fair share?

VINCE CABLE:
Well it’s certainly difficult because we need inward investment and we need companies coming from all over the world, we want to make this an attractive place;
but while they’re here, if they make profits, then they should pay tax on their profits. There’s nothing more galling to small medium sized companies that they’re paying their profit … tax to the British government, and we find these people dodging it. And there are two ways of dealing with it. I mean our own tax authorities have got to be very tough on things like royalty payments, which is where a lot of the subterfuge takes place, but the big question is whether you can get wider global agreement. The Chancellor, as you probably read, has been talking to the Germans about getting a common approach to tax havens and we’ve got to do that on a bigger scale.

ANDREW MARR:
And when you do … when you have those conversations, is there any sense of urgency because it does seem to an awful lot of people this is a time of austerity, lots of people are making sacrifices, paying higher tax; as you say lots of small businesses (many of whom are on the edge of being put out of business by some of these multinationals) are paying their tax and it does seem grotesque?

VINCE CABLE:
It does and it’s completely unacceptable where there is systematic abuse taking place. It’s also quite difficult to drill down to what the problems are and Starbucks claim they’re actually making losses in the UK. I don’t know whether they are or not, but you would need some pretty intensive investigation by the Inland Revenue to establish what exactly is going on - whether their transfer prices and their royalties are being fiddled or not.

ANDREW MARR:
So what’s going to happen?

VINCE CABLE:
Well, as I say, you’ve got to have a combination of action at an international level - which the Chancellor is pursuing with other countries which are just as angry as we are about the way the system’s being fiddled - and we’ve got to beef up our own capacity to crack down on tax abuse here.

ANDREW MARR:
And you can understand the fury in parliament about this?

VINCE CABLE:
Oh absolutely. I spend a lot of time talking to British businesses and they are (as you say) many of them struggling and they’re very angry.

ANDREW MARR:
Talking about the economy more generally, it’s been suggested that there’s quite a lot of British businesses, perhaps up to a third in some sectors, which are so-called “zombie” companies. In other words, they’re still there, the frontage is still there, but they’re not making any money and they’re only holding on by the skin of their teeth because of very, very low interest rates. The minute interest rates go up, they start to collapse. Is that a serious worry?

VINCE CABLE:
Well it’s one of several worries. I mean of course there are some companies who can’t get access to credit, let alone have credit that they are struggling to service with difficulty. No, I mean I think when we get serious recovery going, once you get demand expanding in the economy, then companies of course do sell more, they make more money, their businesses become viable. But I think the point you’re making, which is that when we get sustained recovery - we’re beginning to see some encouraging signs …

ANDREW MARR:
Not many encouraging signs.

VINCE CABLE:
There are some, there are some encouraging signs, notably on the employment front - then we’re going to have to deal with the issue about moving to normality. In monetary policy, that means higher interest rates, and some companies are going to struggle with that.

ANDREW MARR:
Let’s address the economy straightforwardly. We have what’s been called “the long
and winding road”, the possibility of a triple dip recession. Everything has changed, has it not? We are not going to get the old pattern or rhythm of a bit of austerity, then everything gets better again, you have the election and you’re thanked by the voters. That kind of way forward isn’t going to happen, is it?

VINCE CABLE:
No it isn’t and it is a long and winding road. If I can change metaphors, this isn’t a temporary attack of flu that we’ve had with booms and busts in the past. We’ve had the economic equivalent of a heart attack - you know massive damage caused by the collapse of the financial system and all the problems associated with that, government and private debt. It is going to be very, very difficult getting out of it. But we’ve got to be solid and consistent in the way we deal with it, which is what we are. We’ve got to get the public finances under control, but we’ve also got to support expansion of the economy - short-term measures of maintaining demand, longer term measures of investing in industry, research, apprenticeships; the kind of things I’m doing and I’m going to be talking about tomorrow.

ANDREW MARR:
And so your party, no party can honestly go to the electorate at the next election and say vote for us and everything will be fine; everything’s … you know the pain is over?

VINCE CABLE:
No, absolutely not, and I think everybody now acknowledges that the need for restraint in public spending in terms of public sector pay, taxation, these are going to continue to be very difficult for years to come. But I think the public will accept that first of all if they can see that we’re pursuing a very clear strategy to get out of this and if they see it’s fair, and that means you know the broadest shoulders in society carrying the biggest burdens.

ANDREW MARR:
Because your former colleague Sarah Teather says in today’s papers, for instance, that the cap on welfare payments is harsh and brutal and unfair.

VINCE CABLE:
Well what is immoral - I mean I read her article carefully - is demonising poor people. But the reason why there is a cap on benefits is mainly because of the housing component. You have housing benefit escalating out of control. It's effectively a subsidy to landlords and you cannot continue in that way. So what do you do about it? Well you could introduce rent control, but that creates more problems, it reduces supply. So we’ve got to cap the housing benefit element while at the same time increasing the supply of affordable housing. That is absolutely critical …

**ANDREW MARR:**
Right.

**VINCE CABLE:**
… because without that, you will have very serious social consequence, which Sarah has quite rightly warned about.

**ANDREW MARR:**
Your party took a terrible battering in Corby, and indeed in every other election and poll at the moment things are very bad. Your colleague and friend Lord Oakeshott, Matthew Oakeshott, has said you’ve lost I think two-fifths of the support that you had at the General Election. Is there any way in terms of the party of starting to turn that round? People talk about a change in leader, for instance. People talk about you, I have to say, as a potential.

**VINCE CABLE:**
Well let’s not go there. My friend is excessively pessimistic. Actually if you look down at what happened on Thursday, we did do badly in the Corby by-election. We did much better in Manchester. And if you look at some of the detail, we actually won a whole series of by-elections for local councils, big local councils from Labour and from the Conservatives. Actually the morale in the party is strong. They’re resilient, we’ve been through difficult periods before.

**ANDREW MARR:**
But you …
VINCE CABLE:
I’m pretty optimistic that if we stick with our agenda of economic reform combined with making ourselves totally different from the Tories on issues of fairness, particularly on taxation, this will come right politically.

ANDREW MARR:
And stick with Nick?

VINCE CABLE:
We are sticking with Nick indeed.

ANDREW MARR:
You heard the earlier conversation about the EU. Is there any part of you that thinks actually, given the dramatic nature of the heart attack we’ve suffered economically and the huge changes that we have to make to get our economy in a different direction, there might be a case for a much looser relationship with Europe? If they’re going off in a more corporate and high spending direction, perhaps this is the time for a rethink?

VINCE CABLE:
Well I think to the extent to which there’s rethinking, we do need to focus our attention on markets outside the European Union, and certainly the priority on trade - which is partly my responsibility - is looking at the big emerging markets. We’re doing that anyway. I don’t think there is an argument for … I mean it’s potentially very damaging I think to suggest reopening in a fundamental way our relationship with the European Union. Our businesses depend on certainty, having a long-term view, and being part of the single market is critical to that.

ANDREW MARR:
Alright, Vince Cable, thank you very much indeed for joining us today.

INTERVIEW ENDS