ANDREW MARR:
Alistair Darling when he was Chancellor of the Exchequer was famously pessimistic about the future of the world economy as the credit crunch bit. Pessimistic and right. Like other Labour figures, he’s been calling for more of a growth strategy. With Francois Hollande in France and Obama on the same theme, this is becoming a little bit of a chorus, but what would that really mean here in Britain? Mr Darling, thank you for joining us. Good morning.

ALISTAIR DARLING:
Good morning.

ANDREW MARR:
Can I ask about where we are in this country, first of all, on growth because it’s been pointed out that actually, after two years of austerity coalition government, public spending is barely down by one per cent, which is hardly you know a galloping, slashing attitude to the public finances. Is there really such a difference between what you would have been doing and what they’ve been doing, or is it mostly rhetoric?
ALISTAIR DARLING:
Well I mean you ask what’s happening about growth in this country. The answer’s quite simple: there isn’t any. The economy was growing in 2010. We’re now back in recession, something I didn’t think would happen. Of course you have to get your borrowing down; I was very clear about that. Whoever won the last election, we would have had to have cut public expenditure, but I think if you want to know what’s going on in this country, I think you have to look at two things. Firstly, there is no doubt that reducing public expenditure at a time when businesses and individuals stop spending does run the risk of crashing the economy, and that’s pretty much what’s happened. The second thing though is that when the government got elected, it came in and it compared us with Greece. It really trashed confidence and it’s not surprising that if you’re a business for example at the moment, you don’t think about taking on more people or opening up a new production line. And of course the whole thing is compounded by what is going on in Europe where you’ve also got a number of countries in recession, but the real problem is that until people can see a credible plan for growth both in the UK and in Europe confidence will remain at a low level. And the risk is not just you bump along the bottom, but, even worse, more countries tip into recession. So that’s the problem that we’ve got to confront.

ANDREW MARR:
We’ve got huge amounts of debt still in this country, very little room for manoeuvre, so where does a growth strategy come from? What should be done now?

ALISTAIR DARLING:
Well, yes, of course we’ve got high levels of debt. So has France. So has Germany actually. So has the United States. But of course unless you’ve got the revenues that come from growth with people earning more, paying more taxes and so on, the risk is your borrowing goes the other way, and you know the IMF is actually predicting that debt will increase in countries like Spain, Portugal and so on. Now the obvious question is, yes, what do you do?

ANDREW MARR:
Exactly.
ALISTAIR DARLING:
Well you know let me be upfront about it. This government is borrowing £150 billion more than it intended to do. I think it is better if you’re going to borrow to borrow to invest in those things that will service well in the future - for example our infrastructure, our power stations are ageing, there’s no sign of them being replaced. That seems to have stalled. Everybody knows our transport links need to be improved. This is precisely the time that you need to be doing these things. In addition to that, as you know the Bank of England has put a lot of money into the economy - £325 billion through what is called quantitative easing. Very little of that has actually found its way onto the high street through lending to businesses and that the Bank of England and the government need to do more to make sure that happens.

ANDREW MARR:
(over) So if you’re going to fight …

ALISTAIR DARLING:
(over) And just in case you think I’m being unreasonable, George Osborne did actually change tack last autumn and he announced a whole lot of projects - many of which had been announced many times before. I just wonder how many of them have ever … you know have actually started. So the idea of boosting the economy by government doing things, it’s not a new idea. Keynes argued this you know seventy years ago and it’s something that will actually result in more money coming into the Exchequer rather than less.

ANDREW MARR:
But if you want more roads, more railways, more airports, more power stations, where does the money for that … You have to take the money from something else that you’re spending it on at the moment to spend it on that. You can’t simply say we take it away from the cost of unemployment because there’s going to be a huge time lag, so you have to find other areas to cut.

ALISTAIR DARLING:
No you can’t, but you know at the moment you know the government is actually
borrowing more money than it had intended to. We’re borrowing £150 billion more because our revenues have gone down. Now if you’re going to borrow money, it’s rather better to borrow money that you put into the economy - it employs more people, they pay their taxes; these projects involve you know companies having to make things that go into railways and bridges and so on. You know again it’s not new, this. This is precisely you know the argument that was had in the 1930s in this country and it’s the argument that actually over the weekend the G8 leaders were engaged in. You know what I would say about you know that is that you know the words are fine, but this looks like one of these communiqués I’ve seen all too often in the past. They’re fine words, but there’s something in there for everyone, including something in there for Mrs Merkel. So unless we actually see action on the part of Europeans as well as action here … And I’m glad that David Cameron is calling for growth in Europe. You know perhaps he might want to call for some growth in our own country.

ANDREW MARR:
What about going beyond the actual communique, the reality of what now confronts Europe. Are you now of the view that there must be a United States of Europe - in effect a complete fiscal union, which is pretty close to being a single country - for the euro to hold together?

ALISTAIR DARLING:
Currency union logically takes you to … Sorry, a currency union logically takes you to a economic and then political union, but I mean you know that’s not going to happen you know in the next couple of years. We don’t have a couple of years. What can be done, there’s three things that can be done. One is there has to be a proper settlement for Greece that is credible, one that actually allows them to come through this rather than something that leaves them with more debt in eight years time than they started out with. Secondly, they’ve got to clean up the banking system in Europe, as we did in 2008. They didn’t do it then; they need to do it now. And, thirdly, they need to abandon this ridiculous treaty they’ve got, which imposes on countries that are at or near recession an obligation to keep cutting, driving themselves into an ever increasing downward spiral.
ANDREW MARR:
Now just …

ALISTAIR DARLING:
Now those things could be done now. Constitutional change takes years, as we all know.

ANDREW MARR:
Of course.

ALISTAIR DARLING:
These things need to be done now. And what worries me about the weekend is the words were fine, but I’m afraid this is another example - it’s going to take a crisis, an absolute crisis to make Europe’s leaders act. That’s what happened four years ago. I’m afraid that’s what’s going to be needed in the future. But we really are in a very, very dangerous position at the present time.

ANDREW MARR:
And just picking up on that. You talked about the possibility in the House of Commons and again just now of a banking crisis, a really severe banking crisis of the kind we saw in 2008. How close are we to that now, do you think, and what would be the effect on this country if that happened?

ALISTAIR DARLING:
Well you know there are worrying signs. Last week Greece reported billions of euros starting to haemorrhage out of their banks; and Spain’s had the credit rating of no less than sixteen of its banks downrated. Now you go back to Northern Rock four years ago. That was you know small beer in comparison to this, but it was a warning sign of what can happen. And I know from my own experience - you know if you take RBS, for example - it took a couple of days to go from a situation that you could just about manage to a situation where RBS came within hours of total collapse and the cash machines being switched off. So that is how dangerous this cocktail is. I am very worried about it because you know it could happen without notice and I don’t think that … Whilst Europe could deal with Greece, it would struggle to contain Spain, and
if it spread wider than that, I think it would be in real difficulties. So it is a very, very dangerous situation. How would it affect us? Two ways. The feedback of Greek banks’ default, it feeds into the European banking system. We have some exposure to that. If it was Spain, if it was Italy, you know it would make the situation so much worse. The other thing that will happen is that confidence goes, bank lending starts to freeze. Again you know this isn’t ancient history. It happened four years ago and we don’t seem to have learnt anything from that …

**ANDREW MARR:**
And this …

**ALISTAIR DARLING:**
… so it’s a very, very worrying situation, and that’s why I hope that the Eurozone leaders and ourselves (although we won’t contribute but we need to be encouraging this) we need to sort out the banking system before we have another crisis because, frankly, I don’t think our economies can take it again.

**ANDREW MARR:**
Can I turn to a domestic issue. It’s been reported in the Mail on Sunday today that you’ve held a sort of summit of Scottish politicians from the Labour Party, the Conservative Party, including people from David Cameron’s office and the Liberal Democrats to forge a united front to save the union against the Scottish Nationalists. Is that true?

**ALISTAIR DARLING:**
Yeah, I’ve had several meetings actually over the last few months. It’s now clear there’s going to be a referendum. Alex Salmond doesn’t want to have one until 2014 because you know he knows if he had it today, he wouldn’t win. But I’ve had several such meetings. There will be a campaign to persuade people that we are better remaining within the UK. It’ll involve all political parties, but crucially it’ll also involve people of no political party because this is something that is going to be won by the people of Scotland, not politicians involved in a slanging match with each other. So yes, I’ve always said that I intend to play a major part in this and you know our campaign will be launched in the next few weeks. Alex Salmond’s launching his
this week - he can have his day in court. But what’s interesting actually, since he became First Minister support for independence in Scotland has hardly moved; there’s always been about 30 to 40 per cent have said they’re in favour of independence. But on this issue, he may be First Minister. On independence, he does not speak for Scotland and you know it’s up to us, those of us who believe in the strength of the United Kingdom and the value of that to Scotland to stand up and be counted.

**ANDREW MARR:**
And how do you feel as a long time Labour man to be sitting shoulder to shoulder with Conservatives? Are you going to be leading this? Is it going to be a sort of joint Labour/Tory/Lib-Dem leadership? How’s it going to work?

**ALISTAIR DARLING:**
Well, look, you’ll see the details of the campaign when we launch it. But I mean I have no difficulty in anything actually in cooperating with people who agree with me on a particular point of view and I think it would be plain ridiculous to say well I’m not going to cooperate with somebody who actually agrees with me. You know you’ll see some odd bedfellows on the other side of the argument, I suspect. You know Alex Salmond you know got into a bit of controversy here with his courtship of Rupert Murdoch, for example, who you wouldn’t have thought was a natural bedfellow of someone like Alex Salmond. So I think you will see in this referendum campaign people, as I say, of different political parties coming together; people who might disagree on other issues, but they do agree on the issue that Scotland’s better off in the United Kingdom. So you know I don’t think there’s anything strange in that. But I think the crucial thing is you know rather than you know getting into the sort of nuts and bolts of who’s in and who’s out and the rest of it is it’s the merits here. You know at a time when we have one of the most dangerous economic situations that Europe has seen in generations, you know it’s odd to be talking about constitutional change which would see Scotland walking off from the rest of the UK and entering into a currency union …

**ANDREW MARR:**
*(over)* Yes.
**ALISTAIR DARLING:**

... which Alex Salmond wants, which is the very thing that’s causing so much difficulty in Europe even as we speak.

**ANDREW MARR:**

We read this morning that Tony Blair’s coming back to domestic politics. Would you welcome that?

**ALISTAIR DARLING:**

Yes I would. He’s got a lot to contribute and I hope he’ll contribute more in the future. But you know the context here is there are a growing number of people who recognise that unless we can get growth going in the economy, then the standards of living of people in this country, their job prospects are going to be so much worse. And it’s interesting, the centre of political gravity is shifting, and you know you can see the Tories are rattled by this. Why else would David Cameron be calling for growth in Europe, something he’s conspicuously failed to do in the two years he’s been Prime Minister? So you know I welcome ... you know there’s a call to arms, if you like. Whether it’s the constitution in Scotland or whether it’s the economy in the whole of the United Kingdom, this is the time for people to stand up and be counted because if we don’t change direction, particularly on the economy, then we could be damning a generation to come in the future to a very dismal future and I don’t think we could ever be forgiven for that.

**ANDREW MARR:**

Right, okay.

**ALISTAIR DARLING:**

So you know let’s join in this because it’s a big, big debate.

**ANDREW MARR:**

Alistair Darling, thank you very much indeed for joining us this morning.

**ALISTAIR DARLING:**
Thank you very much.

INTERVIEW ENDS