ANDREW MARR SHOW, JOHN McDonnell, 20TH NOVEMBER, 2016

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RT HON JOHN McDonnell

AM: I’m joined by one of the Queen’s Privy Councillors. The former republican firebrand and now Shadow Chancellor, John McDonnell. Congratulations Mr McDonnell.

M: You get them in Andrew.

AM: The Right Honourable John McDonnell. Congratulations. Now you have backed this spending of 360 million or whatever it is on Buckingham Palace. Is that really right? I mean is it correct, that given how wealthy the royal family are that the tax payer is picking up the bill at this difficult time for Buckingham Palace?

JM: It’s a public building. It’s a public monument, so it’s a heritage building so we have to invest in it to preserve it. If the Queen and the royal family want to consider a contribution I certainly wouldn’t send the cheque back.

AM: You’d like them to be behind you.

JM: It does show though that when we need the money for buildings and maintenance we can afford it. So we should be building homes, we should be tackling the maintenance problems that ordinary people have got as well. And can I just say this gently –

AM: Sorry. Given the wealth involved should they be paying for some of this?

JM: Well I think that’s for them to consider. I think we’d welcome it. But also I just say this gently as well, if it is a public building it would be a nice touch if it was opened up the public free of charge a bit more as well.

AM: That’s very interesting. Let me turn to the big picture. You’ve talked about a Fiscal Credibility Plan. Your party’s way behind the Tories at the moment in terms of public trust on the economy, so
you need credibility. Explain to me again what the Fiscal Credibility Plan actually is.

JM: We’ve been behind on fiscal credibility ever since the crash in 2008. It hasn’t changed since then, so we’ve got to build up our credibility. What we’ve said is that the existing fiscal framework that the government has used failed - and they know that. It’s been six wasted years, deficit not – well deficit was supposed to be eliminated last year, it’s now 45 billion. Debt is 1.7 trillion now. They’ve added 750 billion to the deficit virtually, so what we need is a fiscal credibility rule that actually says yes, you bring down the deficit on a rolling five year programme, when it’s -

AM: So you balance the books over five years?

JM: Yes. In other words you spend what you earn. But in addition to that you make sure the debt is coming down but the most important thing is you do not stop investment. And what I’ve been worried about is over that long 6 year period our investment has actually stagnated so while we’ve got a productivity crisis stagnating again it means we’re not earning our way. Our current account, our balance of payments is in an appalling mess.

AM: So we’re talking about 500 billion pounds?

JM: Let me explain that. It’s very comparable to some governments in the 2000s and the 1990s as well, 500 billion over a ten year period. 250 billion from mainstream programmes, so investing infrastructure, roads, rail, new technology, particularly decarbonised in our economy as well. But then we want to set up a national investment bank. This is what happens in Europe. You put money into that and that levers another 250 billion from the private sector.
AM: So at what point do we get this money back because of economic growth?

JM: Right, okay. Economic growth, I think would come fairly rapidly because there’s been a – let me just give this example of what’s happened under the existing government. We’ve had an infrastructure pipeline, only one in five projects is actually meeting construction targets. We’ve had 35 billion identified for George Osborne ready to go, shovel ready projects. That would grow the economy. But remember also, Andrew, our borrowing costs at the moment are at their lowest in a generation.

AM: It’s a time people say to borrow money. Nevertheless, what rate of economic growth would you need for this gamble to work, ’cause it is a gamble, you don’t know that you’re going to get the growth, so what level of extra growth would you need for it to work?

JM: My own view is that if we got one or two percentage extra growth we would really be burning, we’d really be buzzing, and in that way this is about investment and infrastructure, but it’s also investment in people as well.

AM: So 2% extra growth beyond what we would normally get as a result of this. Is that what you’re looking for?

JM: I think one to two percent is achievable.

AM: And that would bring the money back to the taxpayer in what period of time?

JM: Remember we’re talking of a ten year programme. Remember we’re at the lowest rate of borrowing in a generation. That would give us the opportunity to actually modernise our economy and
become competitive in the world again. We’ve slipped down the league table.

AM: Well this is really interesting. Paid back in 10 years and 2% extra growth. Can I ask you about one other thing is again Keynes. ‘When the facts change I change my mind. What sir, do you do?’ he said at one point. If we get higher inflation and that seems very likely given where the pound is at the moment, and if we are facing £100 billion Brexit black hole as the papers say, would that change your course? Would you borrow less or would you borrow more?

JM: I’m not sure whether the 100 billion is accurate. We’re told that might come down over the next few days when we get those reports. This is the time when you need to invest to grow the economy. You can’t put it off. The government’s put it off for six years. That’s why we’ve got the productivity problems we’ve got.

AM: What about interest rates going up?

JM: Well the interest rates, obviously, increases the cost of borrowing and you’d build that into whatever borrowing you undertook. But you can’t put off investment. Everyone’s saying the same thing. I’m on the same page as the CBI, the Chamber of Commerce, on the same page as virtually every independent economic adviser.

AM: Let’s move to the current account now. You’ve said you want an end to austerity. What do you mean by that? Do you mean reversing the government’s welfare cuts for instance?

JM: Yes. Let me explain this very clearly, ’cause where we’re at the moment is I think people recognise that we have an unfair tax system, where we’ve had tax giveaways to the wealthy and corporations; tax evasion and tax avoidance on an industrial scale.
AM: Are you going to change it to a fairer tax?

AM: How?

JM: Yes we would. We would halt the tax cuts to the rich and to the corporations and we would reverse some of them. We would tackle seriously tax evasion and tax avoidance. In that way we would have the resources to invest in our public services. The issue around being competitive isn’t just about physical infrastructure, it’s investing in people as well. Our schools budgets are going through cuts that we’ve now seen since the 1970s. That a short-term cut for a long-term failure.

AM: So let me ask you about those cuts. You say you’d reverse the welfare cuts and that’s around 12 and a half, 23 billion pounds worth of money. That is the figure the government gives.

JM: Let’s just look at what we’re talking about at the moment. Universal Credit. We’re hoping on Wednesday the government will reverse that. We’re also hoping in the first stage of our reversal of austerity you’d insure that the Employment Support Allowance, £30 a week cut to disabled people who are desperately seeing work would be reversed. That would be a first stage and I’m hoping the government will do that on Wednesday. If they don’t, we will.

AM: What about the cuts to unprotected government departments the cuts that people see in local communities and so forth? Do you reverse those as well?

JM: What we’re trying to do is make sure as we grow the economy we can start investing back in local government as well and that means investing round the country. At the moment what’s happening is yes, there is some investment in London and
the South East, but not around the country. That’s why our investment bank will be a regional bank.

AM: So at the moment on the current account we’ve got a £70 billion deficit, roughly speaking and if you add to it may be somewhere between £15 and £20 billion of reversed cuts you’re talking something around £80 to £90 billion that you have to fill, either through growth or tax rises. And simply dealing with kind of putting in more tax inspectors isn’t going to plug that gap. Nobody thinks that so you have to raise some proper real tax inspection.

JM: If you had a fair taxation system, you weren’t giving the tax giveaways to corporations and to the rich, if you seriously tackle tax evasion and tax avoidance, if you grew the economy we’d be able to afford – we’d be able to afford our public services.

AM: What about raising the threshold on the 40p rate? Are you in favour of that or against that?

JM: Well, it looks as though the threshold will be increased on Wednesday by the government and we would support that.

AM: You would support that?

JM: We would support that.

AM: That’s a tax giveaway in a sense.

JM: It is, but a giveaways to people who some whom need a tax giveaway at the moment because of the mismanagement of the economy by the Conservatives is hitting them hard. But what we need is a long term strategy. We can’t have – this Autumn Statement, we’re going back to giveaways and gimmicks again. A lot of the infrastructure I’ve heard the government is supposed to be announcing, the press releases we’ve had already.
AM: But it is said, it was said in the papers that Philip Hammond is reversing ‘Osbornomics’ and that they are in sense ditching austerity and they’re going back to investment. Do you accept that? Is it your case that they’re simply not doing enough of it or that it’s –

JM: Well let’s be clear. A lot of this is going to be gimmicks and press releases all over again. As I’ve said, in the pipeline we’ve only seen one in five delivered to construction, and that’s all, so a lot of this will be repeats of what we’ve seen already. Some of the issues around infrastructure like research and development is simply replacing the cuts that they’ve made over the recent years.

AM: But it’s a change in direction nevertheless.

JM: Oh look, it’s a minor change in direction when this Autumn Statement should be significant reversal of existing economic strategy.

AM: You should put this to him in the sofa chat later on. Let me ask you about Brexit, because as I understand it the Labour Party’s position is that the version of the Brexit that Theresa May is going for, which doesn’t necessarily protect workers’ rights and wouldn’t give us full access to the single market, would be disastrous for this country.

JM: I totally opposed Tory hard Brexit that they’re putting forward. Totally.

AM: And yet you are also telling Labour MPs to vote for Article 50, which suggests that there is the cliff edge, let’s go towards it even more quickly.

JM: Not at all.
AM: Why not?

JM: Look, a referendum has taken place, we have to respect that decision. I voted and campaigned for Remain, we lost. We have to respect that decision. We do not want to be accused by not voting for Article 50, we try and somehow overturn that referendum. But the serious negotiations will start taking place after Article 50.

AM: Do you really then get a chance to actually amend the government’s plans?

JM: We’ve got to. We’ve got to.

AM: And how do you do that? You have to have votes in the House of Commons.

JH: We campaign in the country. We make sure in the House of Commons we form coalitions across the House of Commons as well and we get serious negotiations going.

AM: So you can force votes in the House of Commons, ’cause that’s the only way you can really change that.

JM: Of course, as we move into those negotiations we’re demanding that the government comes back and is held to account and held to account in parliament and to the country overall about the promises that they’re make throughout that period. We just need to know where the government wants to go, how it’s going to get there. We have a view that a Tory hard Brexit would damage our economy and what we’ve got to do now is seize the opportunities to create a new relationship with Europe and there are real opportunities now. Working with our Socialist and Social Democratic colleagues and progressive movements
across Europe to create a new relationship that tackles some of the problems that motivated people to vote for the referendum.

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