

ANDREW MARR SHOW

21ST MAY 2017

JOHN McDONNELL

Andrew Marr: Can I ask you – we were talking about social care there. What is the Labour policy for funding social care?

John McDonnell: Right, immediately we have promised to put in eight billion over the lifetime of the parliament to plug the gap the Conservatives have created. Remember, part of this crisis isn't just about an aging population. It's also about the 4.6 billion that's been cut by the Conservatives from social care since 2010. What we're suggesting is that we need to get back to the Dilnot proposals.

Andrew Marr: Including a cap?

John McDonnell: Yes, but let's be clear, what he recommended was a cap, which I agree, because that gives the certainty to people about how much they will pay. Secondly –

Andrew Marr: A cap of about how much?

John McDonnell: Well, if you remember the recommendation that was coming out of David Cameron was about 72,000 by 2020.

Andrew Marr: And you'd stick with around that figure?

John McDonnell: I think so. But the issue here is the point you made about the lottery, what condition if you get it. The reason some people unfortunately call it a dementia tax is you don't know what condition you'll suffer from, and if this more seriously one like dementia – and I tell you I've been through this in my family, I know what it's like, what happens is that you – the burden falls

upon you. Dilnot's proposals was also to have a threshold as well so there'd be enough for your children to inherit if you had those assets. But he said this basic principle, which is the NHS principle, you pool the risk. And in that way people are not left, as he said, on their own.

Andrew Marr: I gave Damian Green an example, I'll give you an example as well. Let's think of a couple living in Burnley, a constituency which is marginal and being strongly fought over at the moment, and the average house there could be worth less than a £100,000, and for people who need social care at home in Burnley, a Labour heartland seat, this is great news, it means they will not have to pay a penny. It gives them security.

John McDonnell: Okay. Funny enough, my daughters live up near Burnley and property prices are increasing there just as they are right the way round the country. What we want to do is make sure, just like the NHS, there's a pooled risk so everybody is certain. You know, that concept that we're all in this together I think is the right one to apply to health as well as social care itself. In that way – that's why – let me just finish, Andrew. That's why we supported Dilnot, but we also supported a cross-party approach because we've got to have something that's sustainable over generations. So that's why we've said to the Conservative Party pool this now, let's go back to that cross-party approach that actually Andrew Dilnot was proposing. I just feel we've all been let down as a result of what's coming in this Tory manifesto.

Andrew Marr: Let me ask about your own manifesto, and some unanswered questions in your own manifesto. Are you going to end the freeze on welfare benefits?

John McDonnell: Right, what we're doing is we're putting £30 billion in over the lifetime of the parliament, into welfare. We're reforming the whole process. Universal credits. And the

implication of that will be the – the impact of that will be basically the freeze – the impact of these proposals will make the freeze irrelevant because we'll reform the whole process. You know what I've said about when the freeze was introduced –

Andrew Marr: I'm interested that when I say are you going to end the freeze on benefits you can't simply say yes.

John McDonnell: Well, in effect we will be doing it as part of the overall reform package that we're putting forward. Which includes the introduction of a real living wage as well, which includes the reform of universal credits and a whole range of other aspects, including scrapping the bedroom tax, sanctions etc.

Andrew Marr: What about child tax credits, are you going to restore child tax credits?

John McDonnell: What we're doing is an overall comprehensive reform. Look, I'm saying –

Andrew Marr: You should be able to say yes. You said you were going to swim through vomit to vote against this.

John McDonnell: I tell you, people know how strongly I feel on this, and Jeremy Corbyn, that's why I used that expression. That's why in my first budget the reforms that we'll bring forward will make sure people are not just protected but the system will be reformed to benefit them.

Andrew Marr: If you're angry about it you could reverse it. The Resolution Foundation, on which the Labour Party has rested quite heavily, says that 78 per cent of Conservative cuts under your proposals will not be reversed.

John McDonnell: Okay. I do not accept that. I think the proposals that we'll be putting forward on reform, as we've set out already, will ensure that in effect we will be addressing this issue on how we reverse the benefit freeze itself. I want to do it as part of an overall reform package and not just pick up one by one. The issue – I tell you, I feel so strongly on this, we will deliver this in the first budget.

Andrew Marr: It would cost you £8 billion to do the things that I've suggested. Socialism, as the man said, is the language of priorities. And your priorities as a government seem to be directed more towards middle class families. Because you'd find £11 billion to reverse the university charges and that, as you know, the university fees mainly go to middle class families. Why can't you find that kind of money for people on benefits?

John McDonnell: We are putting £30 billion in in benefit changes to make sure we tackle the real issues and reform the whole system. So £30 billion is going in. But remember, this issue – I know what people are saying about the issue of tuition fees, but we're just seeing for the first time, because the Tories increased tuition fees from 3,000 to 9,000 pounds we're just seeing state children, the percentage of state children declining. So it is becoming a disincentive for our youngsters to stay on, and that affects aspiring working class families.

Andrew Marr: Okay, well let's look at another aspect of the manifesto which we can't disagree about because it's true. Higher taxes and higher debt. Now, you have said you're going to borrow roughly speaking £25 billion a year for ten years, £250 billion, a huge amount of money. But you've also said that you're going to nationalise privatised industries. Without telling us how much that's going to cost. And at the end of all this you're going to have less debt than before. Do you mean less debt in real terms?

John McDonnell: It's in relationship to trend GDP.

Andrew Marr: So it's a smaller percentage, not a smaller fee?

John McDonnell: That's right, as the economy goes up. But that's the way in which basically economists and others, the markets value our economy. Okay, let me take you through it, shall I?

Andrew Marr: Well, I just want to jump in a little bit. Because that all depends, to get those numbers to work that all depends on a certain rate of growth of the economy, otherwise it's kind of meaningless. So what is the rate of growth that you're looking for?

John McDonnell: Right, let me just take you through it bit by bit, because we need to unpick that. Let's start off with the basic proposal as well. We published this. No other political party – well, certainly the Conservatives haven't. The Conservatives published their manifesto – you picked Damian up on this one. Others, IFS, other independent organisations have costed the additional funding that's needed for the Tory manifesto as £40 billion. I don't think there's a pound sign in their manifesto at all. Completely uncosted proposals. I'll just want to...

Andrew Marr: Fair dos, I want to come on to your borrowing.

John McDonnell: Okay, we published this on the basis of every policy would be costed at funding source. On borrowing, on the £25 billion, basically you know as well as I do, the OBR multiplier is one. That means for every pound you invest you get at least a pound back. That will cover our borrowing as we go forward. The 25 billion a year, how I arrived at that figure, it is from the CBI saying we need 500 billion investment over a ten-year period.

Andrew Marr: It's less than the figure of economic growth that you require as a Labour government to fund your own plans.

John McDonnell: Well, it's – the OBR analysis is basically for every pound you invest you get a pound back so it'll cover the borrow itself.

Andrew Marr: Can you give us a number in terms of the economic growth that you need to cover your plans?

John McDonnell: It is cost neutral. It is cost neutral.

Andrew Marr: It can't be cost neutral if the economy isn't growing.

John McDonnell: What I'm saying is the OBR are saying very clearly their multiplier ratio is one. So in other words –

Andrew Marr: So one per cent growth is your figure?

John McDonnell: Well, yes, for every one per cent investment you get one per cent back. But the whole point of this is that I've put forward a programme which is completely cost neutral.

Andrew Marr: I think we're not getting anywhere here. So what is the cost of nationalising our industries?

John McDonnell: Our capital programme I'm saying is cost neutral because for everything you put in you get the money back. Not me saying this, it's the Office of Budget responsibility. On the nationalised industries, what we do is we'll issue bonds for shares. That means we get an asset in return and that becomes cost neutral. In terms of any costs involved whatsoever, remember, for investment etc, we'll be getting the income from those nationalised industries and that'll cover the ability to reduce

charges on the customers, but at the same time that'll cover any costs incurred in investment that we need.

Andrew Marr: I just put to you, this depends on economic growth and on the other side apart from the top five percent that you're going for in terms of income tax and so forth, there's a whole raft of business taxes in there. Higher Corporation Tax, the so called Robin Hood Tax – a tax on companies who spend more than £330,000 on a salary, all of those things. Now they may make sense individually but at a time when this country is on the edge of leaving the EU and lots of companies and lots of individuals are thinking shall I stay in Britain or shall I go somewhere else, this could have the effect of driving –

John McDonnell: Quite the reverse.

Andrew Marr: - the very same people we need in this country.

John McDonnell: Andrew, quite the reverse because what we do in terms of our spending policies is exactly what businesses are asking us for. Long term patient, stable investment.

Andrew Marr: They're not asking you for higher Corporation Tax I suspect.

John McDonnell: No they're not, but actually what we are doing is giving them the opportunity to invest in this country alongside government. That's why we're setting up the National Investment Bank. Again, all of this is fully costed based upon the principles of actually what the others – and can I say, can I just quote one –

Andrew Marr: Just very, very quickly.

John McDonnell: Okay, very quickly.

Andrew Marr: We're out of time.

John McDonnell: Who told us now's the time to invest because interest rates are virtually nearly zero? Philip Hammond only a couple of months ago. Pity he couldn't deliver his own proposal.

Andrew Marr: Who knows whether Philip Hammond will be there for a very long time.

John McDonnell: He will not be there.

Andrew Marr: You've been discussing Damian Green via me, you'll be able to talk directly in just a second...