ANDREW MARR:

I’m joined by the Deputy Prime Minister and Leader of the Liberal Democrats, Nick Clegg. Thank you for joining us. Nick Clegg, in your New Year message, you talked a lot about fairness and the importance of building a fairer economy - and we were hearing Jeremy Irons talk a little bit about that a moment ago. What is fair really about this £500 benefit cap which is being discussed tomorrow in the House of Lords? There are a lot of really quite poor families and young people who are going to be put into a very, very difficult situation by this.

NICK CLEGG:

I think the central argument, which is one that I fully support and I completely back Iain Duncan Smith on this, is to say look, you can’t … it surely can’t be fair, can’t be right that you can be earning if you like more on benefits than someone going out earning £35,000, which is the equivalent if you were to go out and work. And I think of course we need to look at transitional arrangements, and Iain Duncan Smith has made it quite clear that we need to do that, and look at obviously the place of children who are born if you like innocently into another set of rules.

ANDREW MARR:
So …

NICK CLEGG:
But the basic principle that that cap should be there of £500, so that you can’t on benefits earn more than you would if you actually went out and worked, I think that’s got to be a simple principle that most people would subscribe to.

ANDREW MARR:
If that is the principle, can you do more as a government for very large numbers of younger people who are going to be caught by this and be in real, real difficulty?

NICK CLEGG:
Well firstly I think there are some quite sort of apocalyptic predictions being made about exactly what will happen, which I …

ANDREW MARR:
(over) Some of them coming from the Department of Work and Pensions actually.

NICK CLEGG:
Well no, we don’t actually recognise a lot of those predictions and I don’t …

ANDREW MARR:
Okay.

NICK CLEGG:
… this is not going to be some sort of punitive programme of mass homelessness. That is not going to happen. Of course we won’t allow that to happen. But we are saying in general terms about the welfare system that under Labour it ran out of control.

ANDREW MARR:
(over) I understand in general terms …

NICK CLEGG:
(over) But it’s a very important point, this, because I think it’s really crucial that the
country as a whole feels that they can support a welfare system - on which, by the way, I think over the last year (if you include pensions) we’ve spent over £200 billion which everyone believes is fair - and I think the cap is a crucial part of that, not least to increase the incentives to work.

**ANDREW MARR:**
Could you, for instance, however, look at excluding child benefit from that cap because that would help those families who have you know children in a particularly difficult situation? One thing you could do.

**NICK CLEGG:**
Well I think if you did that, it probably wouldn’t make much sense trying to have a cap at all.

**ANDREW MARR:**
So no?

**NICK CLEGG:**
No, I think highly, highly unlikely that we would do that. It wouldn’t make much sense. But, look, Iain Duncan Smith has said we’ll look at the transitional arrangements. There’s a lot of detail involved in that. A lot of that is not fully decided or resolved yet. But the central principle, the central principle that you can’t on benefits earn more than you would if you went out and earned £35,000 before tax, I think is one that most people in the country recognise as a good thing in the context of a very major reform of welfare, which we are as a coalition government - and all sides of the coalition government support this - implementing because we believe that it’s better to give people incentives to work and that work should always pay.

**ANDREW MARR:**
What would it say for the legacy of the coalition if at the time of the next election we still have - as we do now - more than a million young people unemployed; many of them having their entire lives ruined because they’ll never have the experience of work, they’ll never get properly into work and those lives will be wasted?
NICK CLEGG:
I think it’s one of the biggest issues which faces us as a society. By the way, it’s one of the biggest issues which seem to confront all developed economies in this very difficult time. There’s been a problem of long-term youth unemployment or under employment for some time. It’s been remorselessly increasing since 2004. So even in the good times when there was pots of money in the government’s coffers, there was a problem that employers were passing over young people in favour of others. Now we’re doing …

ANDREW MARR:
(over) So proposition: you have to do more about it than you’re doing at the moment?

NICK CLEGG:
Yes, but in November, you may recall, I announced that from April this year, we are starting something called the Youth Contract, which is a billion pounds we’ve put towards this, which gives every single 18 to 24 year old the opportunity to earn or learn. And just by way of comparison, Labour’s own plan is for a job creation scheme for only 90,000 youngsters. Ours will benefit close to half a million, 500,000 youngsters or close to 500,000. So it is a very, very ambitious programme to give every single 18 to 24 year old the chance to either take a work experience place or a form of subsidised employment or an apprenticeship (Marr tries to interject) because we recognise quite rightly, as you say, that it’s a huge issue.

ANDREW MARR:
Right and it’s going to be lower unemployment. Youth unemployment will be considerably lower by the time of the next election as a result of this?

NICK CLEGG:
Well we are straining every sinew to make sure that we get people out of this debilitating condition where they’re sitting at home sending out you know work application forms, not getting any replies, feeling cut off because, as you say, that can have a long-term scarring effect on young people.

ANDREW MARR:
Absolutely. And given all of that, you as a coalition government will have failed at the next election if you haven’t got unemployment down?

**NICK CLEGG:**
Well clearly it’s a collective failure if we don’t do the right thing by our young people.

**ANDREW MARR:**
Okay, so you agree with that?

**NICK CLEGG:**
Well no …

**ANDREW MARR:**
*(over)* Well it’s important occasionally to have a …

**NICK CLEGG:**
*(over)* … what I’m not doing is making numerical predictions. What I am saying to you is that - and this is something I very much pushed through government - we are implementing by far the most ambitious programme to try and deal with this, far more ambitious than the official opposition’s own offering from the Labour Party.

**ANDREW MARR:**
There is, as you know, a lot of criticism about the overall balance in the way these things are funded. The IFS, which is hardly a kind of wild Left Wing body, said that the budget changes overall were a take away from poorer families with children and a give away to people further up the income scale. Again, I challenge you, this is not fairness in action.

**NICK CLEGG:**
Well just on fairness, one of the building blocks of building a fairer economy, fairer society out of the rubble that we inherited because of the crash in 2008, I would single out three things. Firstly, it is the fair thing to do to try and clear the decks for the next
generation, so they don’t pay off our debts. So you’ve got to fill in the black hole in
the public finances otherwise you unfairly impose that burden on the next generation.
Secondly, you’ve got to rebalance the economy away from an over reliance on the
City of London - sort out the banking system …

ANDREW MARR:
(over) I want to come onto that, yes.

NICK CLEGG:
… sort out excess in executive pay. And the third thing - and this is where I think we
still need to be bolder - is make sure that the tax system is fair and make sure that we
really do alleviate the burden of taxation on people on low and middle incomes …

ANDREW MARR:
(over) I come back to that IFS analysis.

NICK CLEGG:
(over) Well the IFS analysis …

ANDREW MARR:
(over) What is fair about that?

NICK CLEGG:
The IFS analysis, for instance, ignores the fact that we’re installing a very progressive
policy of a pupil premium in schools - £2.5 billion of additional money to help
children from deprived backgrounds.

ANDREW MARR:
(over) They were talking about the overall effect of the tax and benefit changes at the
last budget.

NICK CLEGG:
(over) No but that’s not the way people live their lives. They live their lives in school,
they live their lives in pre-school support. That analysis, for instance, overlooked the
fact that for the first time ever - again something that I was very keen we should do - for the first time ever every 2 year old from every deprived family in this country will receive 15 hours of free pre-school support.

**ANDREW MARR:**
Okay.

**NICK CLEGG:**
Now you shouldn’t just blithely ignore these things.

**ANDREW MARR:**
*(over)* I’m not blithely ignor…

**NICK CLEGG:**
*(over)* These are very major changes. And …

**ANDREW MARR:**
*(over)* I was just quoting the IFS.

**NICK CLEGG:**
*(over)* Can I just …

**ANDREW MARR:**
*(over)* I’m sorry, but we’ve got so much to talk about. I’d like to move on.

**NICK CLEGG:**
*(over)* … very important, a very important point. This issue of how do you promote fairness at a time of austerity is I think the big question …

**ANDREW MARR:**
Yes.

**NICK CLEGG:**
… facing every progressive party not just in Britain but across the developed world. And what is so extraordinary is that Labour, particularly with its latest sort of twisting
and turning, has completely ducked out of that debate, is not offering anything to the millions of people in this country …

ANDREW MARR:
Alright.

NICK CLEGG:
… in the centre ground of British society who want politicians and parties who combine credibility on the economy and compassion and fairness in how we run our society.

ANDREW MARR:
Fairness at the other end of the scale. A story today that the mansion tax - a tax on houses worth more than £2 million - is actually being seriously considered by the government because we’d always thought the Conservatives would say no to this; we know it was a Liberal Democrat proposal. Is that a real runner now?

NICK CLEGG:
I think all the newspapers have said this morning is restate the flamingly obvious, which is that this is something that was in the Liberal Democrat manifesto. We think that is part of a patchwork of measures which would over time make the tax system fairer because it would ask people who have got very considerable wealth to make a greater contribution and then allow us to use that money. This is the key bit, by the way. Everyone fixates on the mansion tax. Actually we don’t just … we’re not just interested in a mansion tax or wealth taxes for the hell of it. We want to do that to generate the revenue, so we can actually alleviate taxes. In other words have …

ANDREW MARR:
(over) Okay …

NICK CLEGG:
(over) But it’s very important this. We’ve already …

ANDREW MARR:
(over) … my question is, my question is a slightly different one. Is this real? Is it going to happen and are you winning over Conservative supporters … Conservatives to support this …

NICK CLEGG:
(over) I tell you what I think.

ANDREW MARR:
(over) … as Vince Cable says you are?

NICK CLEGG:
I tell you what I think we are winning. I think we are winning the argument that we need to be bolder on making the tax system fairer still. On that, I think there is a widespread recognition that when there are many, many people - hard pressed, hard working families in this country who’ve had to face high inflation, particularly over the last year, who in many cases are struggling to pay the monthly, the weekly bills - it is crucial that what we put at the forefront of all our efforts is to make sure that the tax system works for them. I want us, I want this government to be absolutely rooted in the centre ground of British politics on the side of hard pressed, hard working families, and that should be reflected in what we do in the tax system. The tax system shouldn’t be constantly catering for a very small fraction of people at the top. It should be there standing up for the vast majority of people in this country.

ANDREW MARR:
And in the context of that, you own the Royal Bank of Scotland, I own the Royal Bank of Scotland, all those people watching own the Royal Bank of Scotland. Given that, can you ensure, are you able to stop its chief executive getting a £1.5 million, £2 million bonus at a time when the bank’s performance has been poor?

NICK CLEGG:
Look if it was left up to me, probably up to you and probably up to many people
watching this programme, we wouldn’t have any bonuses, particularly in the state owned banks while they are still being repaired from the terrible sort of …

ANDREW MARR:
(over) But you are Deputy Prime Minister of a state that owns this bank.

NICK CLEGG:
Well let me … Hang on, but in a spectacular example of irresponsible capitalism, the last government not only let the banks get away with blue murder. Then they entered into contracts with them, which allowed them to continue to pay themselves large bonuses. Now whether you like it or not - and I don’t particularly don’t like it - we are constrained by those contractual obligations …

ANDREW MARR:
(over) So there’s nothing you can do to stop that happening?

NICK CLEGG:
No there are. There are things we’ve done, which is the second best thing which we are doing, so we’re saying there is a very strict limit on the cash bonuses that bankers can receive - £2,000 only - and we’ve been very, very clear that in RBS, and for that matter in other banks, the bonus pool has got to be considerably lower than it was last year. And by the way, very helpfully the Bank of England, the Financial Services Authority are saying exactly the same thing …

ANDREW MARR:
(over) Right.

NICK CLEGG:
… because any money that is spare should (where possible) be used to repair the bank’s balance sheets. And …

ANDREW MARR:
(over) But sorry, just to be absolutely clear about this. If next week or the week after
we pick up a newspaper headline and it says ‘Stephen Hester to get £1.5 billion …

NICK CLEGG:
(over) But he is …

ANDREW MARR:
(over) … a £2 million bonus …

NICK CLEGG:
(over) RBS have said that is pure speculation, they haven’t agreed that yet.

ANDREW MARR:
They have, they have. But …

NICK CLEGG:
(over) And there has been no agreement yet …

ANDREW MARR:
(over) Sure.

NICK CLEGG:
(over) … because, as you quite rightly say, there is an arm’s length body called the UKFI that represents our interests our interests in these decisions, and they haven’t yet arrived at a decision on RBS bonuses.

ANDREW MARR:
I did start the sentence with the word ‘if’.

NICK CLEGG:
Yuh.

ANDREW MARR:
But to be clear, if that happened, you as a government can do nothing about it?

NICK CLEGG:
No, what we are doing …

**ANDREW MARR:**
(over) About that particular instance.

**NICK CLEGG:**
Well you’re asking me about a hypothetical outcome …

**ANDREW MARR:**
Yes.

**NICK CLEGG:**
… that I don’t believe will arise …

**ANDREW MARR:**
Okay.

**NICK CLEGG:**
… because what we’ve been very clear about now, before those talks and negotiations takes place is what we want to see: lower bonuses, more money being put into repairing the balance sheet, and a much lower bonus pool than last year.

**ANDREW MARR:**
But you would be outraged if it did arise? That would be wrong in your view?

**NICK CLEGG:**
If there was no change in the bonus behaviour this year compared to last year, of course I’d be outraged. It’s not going to happen.

**ANDREW MARR:**
Okay, right, okay. Let’s turn to another big story today, which is what sounds like a pretty blistering report from the Health Select Committee about the government’s health reforms. Liberal Democrat MP on that, Conservative MP on that, Conservative
MP ex-health minister chairing that committee, a serious committee, and what they’re saying in effect is that these health reforms aren’t worth it; they’re diverting the NHS from the business of making savings and improving patient care. Isn’t this a reform or a change which simply isn’t worth the candle?

**NICK CLEGG:**
Well, firstly, I haven’t seen the Select Committee report. The reports of it suggest that what they’re focusing on - which is an entirely legitimate question - is the interaction between the reforms and the 20 million pounds worth of savings that, let’s remember …

**ANDREW MARR:**
*(over)* They’re being asked to make.

**NICK CLEGG:**
*(over)* … the last government insisted the NHS should make. It’s a totally fair question and they seem to be (according to the reports) floating this idea of greater integration between social care and healthcare - something I’ve always believed is a good thing. We’re doing quite a lot of that already. If we need to do more, we can always try and do so. But I’d like to be you know really clearly. Firstly, we have gone a long way to allay the concerns that people had about the original blueprint of the reform, so we’ve said there’s going to be no privatisation - certainly no privatisation of the NHS by the back door. We’ve put competition if you like back in its box, if you like. We’ve made sure there’s proper accountability in the NHS. But people shouldn’t think that the best way to cherish and preserve everything that we love about the NHS is somehow to sort of freeze it in time and then it’ll all be okay because the NHS …

**ANDREW MARR:**
*(over)* I don’t think people are saying that. But having said … Let me turn it around.

**NICK CLEGG:**
Yeah, sure.

**ANDREW MARR:**
Given that you know all the royal colleges are against this, given that you know virtually every health expert is against these changes, given what’s going on in the House of Lords at the moment, what is so great, so important about this legislation that it’s worth spending so much political capital forcing it through?

**NICK CLEGG:**

Well I think let’s boil it right down to basically what these reforms are about. Basically what these reforms are about is the people who should have a greater role in the NHS about what happens to you and I as patients and everybody else who are patients in the NHS should be people who know a thing or two about patients: doctors, nurses, clinicians and so on. That seems to me to be a really simple commonsense new reform - give more authority about how money sloshes around the system to people who know patients best. That is the simple, animating force behind these reforms. Yes there’s a lot of complexity, of course there’s controversy. No-one likes change in something that we all cherish and love as much as the NHS.

**ANDREW MARR:**

(*over*) But this is a committee led by a former Conservative Health Secretary …

**NICK CLEGG:**

(*over*) Sure. No but Andrew, as I said, I think …

**ANDREW MARR:**

(*over*) Are you not saying that you have to look at this again?

**NICK CLEGG:**

Of course we’ll look at the report. I haven’t seen the report. When we see the report … It’s a select committee report. Like all select committee reports, we’ll look at it. And as I said, there’s a totally legitimate question about how you conduct reform when at the same time you’re making savings. Our view is these reforms, by making people in the frontline more responsible for the use of NHS money, actually help make those savings, not hinder it.

**ANDREW MARR:**

(*over*) But you are open to rethinking?
NICK CLEGG:
Look, I can only by what I’ve read in the papers. If, for instance, one of the ideas is that we should seek to do more to integrate social care and healthcare, I think most people …

ANDREW MARR:
(over) Yeah the burden of this is they don’t like the reforms, as you know.

NICK CLEGG:
No, we’re reading different reports. But, look, let’s wait and see what the report says.

ANDREW MARR:
Okay.

NICK CLEGG:
As I say, I think no-one should believe that we’re somehow helping the NHS by sticking our head in the sand and saying no change.

ANDREW MARR:
(over) Alright, okay. Let’s …

NICK CLEGG:
(over) When you’ve got an ageing population, an increasing cost in medicines and medical procedures, you have to reform things, update things precisely to preserve what is best about the NHS.

ANDREW MARR:
Let’s move onto some other issues, if we may. Are you against or in favour of a new airport for the South East?

NICK CLEGG:
I’m totally un-persuaded by the evidence and I think we should take a commonsense,
hard-headed look at the facts. I don’t think we should as a country decide to concrete over vast swathes of the Thames Estuary on a whim. Let’s look at the problem. And that’s why we’re going to issue a document in March for consultation, for people’s views because there is an issue about what we do with our airports - particularly in the South East. As it happens, if you look at the facts, we have four big airports around London, three of which aren’t even being used to capacity yet. Now call me old-fashioned, but it seems to me you should first look at things like that before you decide to do something …

ANDREW MARR:
(over) Okay, so at the moment …

NICK CLEGG:
(over) … which in any event would not be built for another decade, decade and a half.

ANDREW MARR:
But at the moment you’re opposed unless you’re persuaded otherwise would be the right way of putting it?

NICK CLEGG:
I’m opposed. But, as I say, let’s look at the facts. Let’s be hard-headed about the facts, about the economic impact, the environmental impact, and not simply lurch from one great big project to the next.

ANDREW MARR:
If a member of the government is charged with a criminal offence, do they have to resign?

NICK CLEGG:
Of course that’s a very serious issue if that were to arise. But I know you’re of course quite understandably alluding to Chris Huhne. He has been crystal clear that he denies any wrongdoing. He said that to me, he said that publicly. And I just think, if you don’t mind, I’m not going to provide a running commentary …
ANDREW MARR:
(over) I know, I understand …

NICK CLEGG:
(over) … without knowing what the CPS is going to do.

ANDREW MARR:
The one thing that I think you could if I may say provide a commentary on is whether in the event of somebody being charged with a criminal offence, they would have to leave the government because that has been … I don’t think the actual ministerial code says that in black and white, but that has been what’s happened in the past.

NICK CLEGG:
Obviously the Cabinet Secretary as the sort of arbiter of these things can provide advice, and the Prime Minister and myself and others would need to take a view. But we as a government want the highest standards of probity to be in place in everything that is done by cabinet members, and that’s why we’ve increased dramatically the transparency about what cabinet members and members of the government do, who they meet and so on.

ANDREW MARR:
But you couldn’t have a trial going on and somebody being in government at the same time, could you?

NICK CLEGG:
(laughing) But if you don’t mind because I think anything I say on this will be wildly misinterpreted or over interpreted one way or the other. Chris Huhne has been very clear that he denies any wrongdoing and I think the wheels of justice, so to speak, should be allowed to take their own course.

ANDREW MARR:
And by the by, would you like to see David Laws back now? Has he done his time as it were? I think a lot of people …
NICK CLEGG:
(over) I would like to see David Laws back in government. Not just because I admire him a lot and he’s a close colleague and friend of mine. I just so happen to think he’d be very good for the government and good for Britain. In my view, he’s got one of the most sophisticated minds in British politics.

ANDREW MARR:
Your deputy in the party, Simon Hughes, has called this morning for an English parliament. Do you agree with him?

NICK CLEGG:
No, I don’t agree with Simon on that. Simon has had views on this for many, many years.

ANDREW MARR:
You don’t think the English are under represented in the system?

NICK CLEGG:
Do you know, I really think at a time when the central argument is about the wisdom of wrenching Scotland out of the United Kingdom - let’s focus on that debate and let’s get the SNP to provide basic answers to some pretty basic … I mean you would have thought for a party whose whole sole purpose in life is to advocate independence, they would have been able to provide answers about what it means for defence, for taxation, for investment, for the currency …

ANDREW MARR:
(over) That’s what you want, okay.

NICK CLEGG:
(over) … and that’s what I think we should focus on.

ANDREW MARR:
Okay, there is a proposal floating around under which Britain would be providing more money for the IMF bailout fund for the euro. Is that something that we ought to
do as a country?

NICK CLEGG:
Oh I think we ought to and the Chancellor was very clear about this just last week. We must always be strong supporters of the IMF. The IMF is a lynchpin. It was in many ways a British invention in the creation of these great Bretton Woods institutions in the post-war period. It’s a lynchpin in creating a system of stability.

ANDREW MARR:
(over) So we will contribute more if we’re asked to?

NICK CLEGG:
We will always make our fair contribution to the IMF when the IMF says and shows that those increased contributions are necessary.

ANDREW MARR:
Last time we were talking, you said that you were going to have to work very hard to ensure that Britain was still inside the European tent. How’s it going?

NICK CLEGG:
Well I think considerable effort has been put in by me, by the Prime Minister. We’re actually working together on this to make sure that, not withstanding whatever happened last year in the summit in early December, on the crucial question of how you create growth and jobs - deepening the single market, making it easier for businesses to work across borders within the European Union - we’re actually working very hard and finding a lot of strong alliances. With Germany. I’ve had meetings with and conversations with a range of leaders of governments - with the Italian Prime Minister …

ANDREW MARR:
(over) So lots of kissing, lots of making up?

NICK CLEGG:
Well no. No, hang on. This leads, I hope, to some quite important decisions which should be taken at the next summit on the 30\textsuperscript{th} January to make sure that we create more growth and more jobs in Europe because austerity alone will not get Europe out of its present difficulties.

**ANDREW MARR:**

Nick Clegg, for now thank you very much indeed.

**INTERVIEW ENDS**