ANDREW MARR: The former communications director and cabinet minister Lord Mandelson has experienced the highs and lows of Labour fortunes over the years, so what does he make of its current situation? He joins me now. Welcome, Peter Mandelson.

LORD MANDELSON: Good morning.

ANDREW MARR: The polls are quite favourable for Labour at the moment, but, would you think they’ve done enough to secure victory at the next election? Presumably not.

LORD MANDELSON: Well, I think Labour ends the year in a strong position, well ahead on points. And given the continuing economic challenges of the country, and the problems of incumbency for the coalition, I think the next election is for Labour to lose. I think they’re in a good position, but to consolidate their lead, they’ve got some things to do in 2014. And I would identify three things: first of all, they’ve got to convert their very effective skilful tactics on cost of living into a strategy which is rooted in policies for economic growth and rising prosperity for the country as a whole.

ANDREW MARR: We don’t understand the [inaudible] picture.

LORD MANDELSON: Let’s come back to that. So the economic picture has got to be painted in. Secondly, Ed Milliband faces a big test of his leadership, in relation to the trade unions. He’s effectively got to win the fight that he started, quite radically, to reform the
relationship between the trade unions and Labour. And, thirdly, I would say, too, he has to navigate his way through what could be a very difficult minefield, and that is the Chilcot Inquiry into the Iraq War, which remains a very sensitive issue for many in the Labour Party, but also many in the public.

ANDREW MARR: Do we know when that’s coming, by the way?

LORD MANDELSON: I think we expect it somewhere in mid-year. It’s certainly taken its time.

ANDREW MARR: Let’s go back to your three points, though. Let me ask you, first, about the trades unions, because there’s going to be a special conference in the spring, though I think it’s now going to be bolted onto another conference, and there seems to be… Something has gone very quiet in all of this. We’re expecting clearer information about exactly what Labour’s new union links are going to look like. There’s talk about it being phased in over five years, and only applying to new union members. That wouldn’t, presumably, be enough to…

LORD MANDELSON: No, I think… Look, what Ed has got to do is follow the logic of his own…sort of analysis, his own diagnosis. He’s said, and I agree with him, that the relationship needs to be between Labour and the individual, Labour-supporting members of trade unions, rather than with the general secretaries and their block votes.

ANDREW MARR: So, no more block votes for leadership, no more block votes on policy.

LORD MANDELSON: What it means is lifting the trade union grip from the party’s conference and its policy-making; from the membership of the National Executive Committee of the party and from the trade unions’ role in electing the leadership, the leader of the Labour Party. Now, all this…there has to be a re-balancing. I don’t want to see the relationship with the trade unions ended. I do, however, want to see it radically mended. But I think the public… This is a source of great interest and anxiety for the public and they want to see change, especially as Ed Milliband himself has opened the door to that change.

ANDREW MARR: He’s sounded the trumpet and led everyone uphill. Are you at all
concerned that we’re not going to see, from him, the full range of reforms that it looked like we were going to see in the autumn.

LORD MANDELSON: I don’t think he has an option. And one outcome, by the way, that must be avoided is as the affiliation and the payments made by the trade unions to the Labour Party, based on that affiliation, are reduced, we don’t want to see that funding replaced by a sort of discretionary funding, of the Labour Party, by the trade unions, that would give them even greater control over the Labour Party’s policy-making.

ANDREW MARR: Do Ed Milliband’s prospects at the election depend upon this?

LORD MANDELSON: I think what many in the public remember is that the leadership was won by Ed on the basis of the trade unions’ vote, and notably the support of key trade union general secretaries. He’s got to sort of distance himself from that and show real change. But I think he can do if he turns the relationship into one, as I say, between the Labour Party and individual, Labour-supporting trade union members.

ANDREW MARR: What about the big picture on the economy? Because there is no money left. We are still very, very heavily over-borrowed, as a country and individually, as families. What is the future, for us, of centre-left politics, in that situation? Nobody has yet explained clearly to me.

LORD MANDELSON: Well, I don’t think the state of the economy is as glittering as the coalition maintain, nor do I think it’s quite as gloomy as the Labour Party sometimes claims. But we have a mountain to climb, in this country. We’ve got to invest heavily in private and public sectors to close the productivity gap with our competitors.

ANDREW MARR: And there’s no sign that we’re doing that yet.

LORD MANDELSON: We’ve got to see people earning more, and their personal indebtedness reduced. That’s very important indeed. And we’ve also got to rebalance the economy, both between the manufacturing and non-manufacturing sectors of the economy, and between the different regions, and north and south of the country. There’s a mountain to climb and Labour has got to show that it’s got policies that will, on a sustainable basis,
achieve those things in years to come.

**ANDREW MARR:** Are you calling, essentially, for a new kind of industrial strategy and a new banking strategy?

**LORD MANDELSON:** I think, on the banks, all the weaknesses and vulnerabilities of our banking system have, broadly speaking, been repaired. We now need a sort of period of stability for the banks to adjust to the new regulatory regime. Banks have got to start doing their job, which is…

**ANDREW MARR:** Lending money.

**LORD MANDELSON:** Lending money, chiefly to the corporate sector, to businesses in the economy. But I would like to see the work that I started in my industrial activism, when I was business secretary, which has been continued, I have to say, by Vince Cable. I think we have to build on that, and I think that both Ed Balls and the Shadow Business Secretary, Chuka Umunna, are doing that.

**ANDREW MARR:** You mentioned Ed Balls. He’s had a very, very torrid time indeed. How do you think he’s doing?

**LORD MANDELSON:** I think Ed Balls has a wealth of knowledge and experience. Of economics, of international finance, of markets. I think he has huge expertise, which the country will benefit from. I sometimes think, though, that he’s, perhaps, better in government than he is in opposition, but that’s not a bad thing. I’d rather have a Chancellor of the Exchequer who’s good in government than a shadow chancellor who’s simply good at being an opposition spokesman.

**ANDREW MARR:** If he gets there. For now, thank you very much. We’ll talk again, later on, but for now, thank you very much, Peter Mandelson.

**INTERVIEW ENDS**