ANDREW MARR: Vince Cable is sometimes cast as the Eeyore of the coalition. Well, there was good news this week on unemployment, but is this all the result of another borrowing boom? Or is the recovery more solidly based? The Business Secretary is with me now. Good morning, Vince Cable.

VINCE CABLE: Good morning.

ANDREW MARR: Can I put something to you, which is that, looking at the numbers, if you’re going to avoid really, really serious, deep, deep welfare cuts and spending cuts in the next parliament, you’re going to have to raise taxes, and not simply mansion taxes, but income tax.

VINCE CABLE: Well, there is a continuing problem with the deficit in the budget, the structural deficit which arose from the financial crisis. Any government’s going to have to deal with that. I think the crucial thing is it’s got to be dealt with fairly. The people who are best able to pay, should pay relatively more. And we’ve got to have a sensible balance
between pressure on public spending, which is getting very severe – actually, some very good services are now being seriously affected – and tax…

**ANDREW MARR:** This seems like a very elegant ‘yes’, if I may say so. Are you concerned about what used to be called ‘the social fabric’ if the cuts carry on, taking the full brunt of what has to be done?

**Vince Cable:** I am concerned about the social fabric, and there are two answers to that. One is that we’ve got to get recovery going properly, and sustained, and there’s been some good news over the last six months. You know, growth is happening, unemployment is falling. So, those things have got to be built upon. We’ve got to make this sustainable. We don’t want to get into one of these boom-bust cycles with property that we’ve had in the past. We’ve got to build on the industrial recovery, which I’m trying to get behind. We’re getting a lot of manufacturers coming back to the UK, now, but that’s got to be put on a sustainable basis. And we’ve got to make sure this recovery is fair and that means that we’ve got to help people at the bottom end of the scale. The Lib Dems, as you know, have been pushing to get two-and-a-half million people out of tax. We’ve now got to build on that. Support the minimum wage, deal with zero-hour-contract abuses, and things of that kind.

**ANDREW MARR:** Now, I’m going to sound like the Jeremiah, because we are still a very, very heavily over-indebted country, both personally and nationally and we’re quite close now, with unemployment coming down to the level at which the Governor of the Bank of England said he would look again at interest rates. What would be the effect of interest rates going up a point or two?

**Vince Cable:** Well, I think the problem with over-borrowing is that it partly reflects the fact that there’s a lot of imbalance in the economy. Then, there is a raging housing boom in London and the south-east. Not in other parts of the country.

**ANDREW MARR:** Despite what the Chancellor said…

**Vince Cable:** Of course, the danger of raising interest rates is that you hit those parts of the country which are not yet fully recovered and you push up the exchange rate; that hits manufacturing, we don’t want that. On the other hand, if you don’t increase interest rates, if
that’s the way the Governor and the Bank of England go, then, of course, this boom that’s taking place in house prices gets out of control and the only people who can live in parts of London are foreigners and bankers, and we don’t want that either.

**ANDREW MARR:** You could stop fuelling the raging housing boom by looking again at the help-to-buy scheme, for instance.

**VINCE CABLE:** Well, indeed. We certainly need to look at that again. It was conceived in very different circumstances. I notice, for example, that the rating agency Standard & Poor’s, which gives the UK triple-A rating, is expressing quite serious worries on that front.

**ANDREW MARR:** Can I turn to one of the other really big stories around just now, which is immigration. Nick Clegg has said the Liberal Democrats are going to stop any further moves, including the 75,000-a-year cap on EU migrants coming into this country. Do you take the same view?

**VINCE CABLE:** Absolutely. No, Nick Clegg is saying what absolutely has to be said. I mean, the 75,000 cap is illegal and impossible to implement, in any event. I think, what’s happening here… The Conservatives are in a bit of a panic because of UKIP, reacting in the way they are. It’s not going to help them, I think, politically, but it’s doing a great deal of damage. The responsibility of politicians, in this situation, is to look at the facts, and the simple point is that there is very little evidence of benefit tourism, people coming from Eastern Europe. All the evidence suggests they put far more into the economy, in terms of tax, than they take out in benefits. It was right to stop abuse of the benefit system. Absolutely right to do that, but freedom of movement, albeit constrained, as it is under the European agreements, is an absolutely basic principle and a lot of British people take advantage of it.

**ANDREW MARR:** The Prime Minister has seized upon this as one of the big things that he is fighting about. He’s made it very, very clear that he is personally behind this. He’s going into an argument with the Europeans, currently the Bulgarian president, I think. Can you actually stop this happening, the 75,000 cap?

**VINCE CABLE:** I think it isn’t going to happen. Nick Clegg’s made it very clear he’s not going to allow it to happen. I think there’s a bigger picture here. We periodically get these
immigration panics in the UK. I remember going back to Enoch Powell and “rivers of blood”, and all that. And if you go back a century, panics over Jewish immigrants coming from Eastern Europe. The responsibility of politicians, in this situation, when people are getting anxious, is to try to reassure them and give them facts, and not panic and resort to populist measures that do harm.

**ANDREW MARR:** It sounds to me like a bit of a crisis in the coalition, at the moment, on this issue.

**VINCE CABLE:** Well, there is quite a lot of tension around this issue. I don’t pretend that it isn’t. I mean, the fact is, we have a job to do, to sort out the economy. We’re business-like and, I think, people wouldn’t forgive us if we walked away from our responsibilities, but there are big differences. You know, over fairness, over tax, and over immigration. We will argue our corner.

**ANDREW MARR:** And when it comes to the so-called ‘red lines’… I know you don’t like the phrase ‘red lines’, but mansion tax, probably some higher taxes in other areas… Are those red lines for you, when it comes to the next election?

**VINCE CABLE:** Absolutely, and we, as a party, I think, have got a lot to be proud of, in what we’ve done in the government, particularly in terms of lifting large numbers of low earners out of tax altogether. But we will argue for a fairer tax system. The Conservatives want to go in the opposite direction. We will be arguing on a very, very distinct agenda on tax when the election comes.

**ANDREW MARR:** Is it time to, perhaps, look again at the top rate of income tax for people who can afford it, the rich?

**VINCE CABLE:** No. I don’t see any reason for that. The previous cuts were not a great political success and I think we need to be very careful.

**ANDREW MARR:** Should they be reversed, do you think?

**VINCE CABLE:** We’re not arguing for reversal. I think what I’ve always argued, in the
past, my party’s argued, is that if the top rate of income tax comes down, you’ve got to have higher taxes on assets, on higher levels of wealth. I think a mansion tax in the current environment, with extreme property inflation in London, would be a very, very appropriate thing to do.

ANDREW MARR: All right. Vince Cable, for now, thank you very much indeed.

INTERVIEW ENDS