ANDREW MARR:
Now the Budget was generally welcomed, as I said, by the press, and it seems in the opinion polls as well, but there are creeping doubts on two big areas. First, is it all affordable and do the sums add up? And, second, are the radical new freedoms being given to pensioners wise and do they help people at the bottom of the heap as well as at the top? Now Danny Alexander, Chief Secretary to the Treasury, is George Osborne’s number two and he is with me. Danny Alexander, thanks for coming in. On the first point, the IFS was quite critical – I mean perhaps surprisingly so given the immediate reaction of the Budget. They said in effect that you’re making permanent long-term tax giveaways on the threshold and so on, which costs nearly £2 billion – the extra threshold and so forth - and there is no permanent long-term way of paying for those beyond deeper cuts which aren’t specified. That is a fair criticism, isn’t it?

DANNY ALEXANDER:
I don’t think it is fair. I’ve been clear, George Osborne has been clear for some time, that dealing with the deficit is going to take longer, there’s going to need to be more savings in the next Parliament. We took some difficult decisions in this Budget. We
raised more money, for example, clamping down on tax avoidance. In relation to public service pensions, we’ve said that departments should bear the cost of paying out the costs of public service pensions rather than it falling as an extra cost to the taxpayer. That was another difficult decision for the future.

**ANDREW MARR:**

*(over)* But you then gave that money back to the Treasury and spent it.

**DANNY ALEXANDER:**

Well what it actually does is it stops the general taxpayer having to make up the cost of public service pensions that employers should be bearing for themselves. So you’re right, it is a difficult decision. There is more deficit reduction to be done in the next Parliament. As a Liberal Democrat, I am committed to making sure that we deal with the structural deficit on the timetable we’ve set out. Where perhaps I disagree with the Conservatives is that I think that tax measures should play a role in that – measures that make sure that the wealthiest make a contribution as well as public expenditure savings.

**ANDREW MARR:**

We love to talk about red lines, so let’s ask you. The mansion tax, is that a red line for the Liberal Democrats next time round because Boris Johnson, for instance – who may well be the next Conservative Leader – has made it clear his absolute opposition to that?

**DANNY ALEXANDER:**

Well one of the things that will be a big priority for the Liberal Democrats in the next election is a fairer tax system delivering further tax cuts for working people. A big Liberal Democrat signature tune in this year’s Budget was lifting the personal allowance to £10,500, but also asking the wealthiest to make an additional contribution to make sure that the remaining phase of dealing with the problems that we inherited from the Labour Party is done fairly. And so part of our plan for that is a modest additional levy on high value properties, yes.

**ANDREW MARR:**
So that is a red line then?

**DANNY ALEXANDER:**
It’s a key priority. I’m not going to get into the language of red lines. What I’d say is …

**ANDREW MARR:**
Orange line. *(Alexander laughs) A carroty line.*

**DANNY ALEXANDER:**
A ginger line maybe.

**ANDREW MARR:**
A ginger line.

**DANNY ALEXANDER:**
But in our manifesto at the last election, we had the four key promises …

**ANDREW MARR:**
Yes.

**DANNY ALEXANDER:**
… that the party made on the front page of the manifesto. We delivered all four of those things through the Coalition Agreement. We haven’t written our manifesto yet, but I’m quite certain that again we’ll set out what our key priorities are – balancing the Budget, making sure that we deal with our financial problems; not going back the way Labour would like us to, to the old mistakes of the past on the economy. Cutting taxes for working people is a key Liberal Democrat priority.

**ANDREW MARR:**
What about the priority of many Conservatives to see the higher rate of income tax cut from 45p down to 40p? Is that something the Liberal Democrats are going to support as well or not?
DANNY ALEXANDER:
I don’t support that. I think that with a 45p top rate of tax, we’ve got the balance right. We are making sure that those who earn the most are making an additional contribution, but we’re somewhere in the middle of the pack, similar to some other European countries, America and so on, so that we are making sure that this is not sending a bad signal about British competitiveness, but we’re sending strong signals that Britain’s a great place to invest through some of the things we’re doing on business taxation, investment.

ANDREW MARR:
But not that 40p rate?

DANNY ALEXANDER:
I wouldn’t pay for that, no.

ANDREW MARR:
And so you wouldn’t sit in government with a party committed to doing that; or if you were, you would veto it?

DANNY ALEXANDER:
Well, look, I think that the issue is what role can the Liberal Democrats play in British politics in the next Parliament? And …

ANDREW MARR:
(over) Exactly, exactly. So would you veto it? I mean that’s really what I’m asking.

DANNY ALEXANDER:
Well what I’d say is we will talk to whichever party has the strongest mandate to win in the election assuming there’s a hung Parliament. I think that what matters is having a strong and stable government that’s anchored in the centre ground, that we can deliver Liberal Democrat priorities through that. And I’m not going to …

ANDREW MARR:
(over) Sure, but people want to know what that means in practical terms …
DANNY ALEXANDER:
(over) Yes well let me tell, let me give you …

ANDREW MARR:
(over) … which is why I’m asking about the 40p rate.

DANNY ALEXANDER:
Let me give you an example of what it means. I think that a Conservative Government on its own would be bad for the economy because it would try and take Britain out of the European Union. A Labour Government by itself would be very bad for the economy because it would wreck the strategy that has got the British economy this far. I think you need the Liberal Democrats in the centre ground of government, the centre ground of politics, to keep the recovery on the right track for the next Parliament.

ANDREW MARR:
So between bad and very bad, there doesn’t seem to be a complete equality. You seem to regard the Labour Party at the moment as a more damaging prospect for Britain than the Conservatives?

DANNY ALEXANDER:
No, I think that we have big disagreements with both other parties. I mean our …

ANDREW MARR:
(over) But not equidistant ones?

DANNY ALEXANDER:
Yes equidistant ones. Our mantra is that as a party we want both a strong economy and a fair society. I don’t think you can trust the Labour Party to deliver a strong economy by themselves. I don’t think you can trust the Conservative Party to deliver a fair society by themselves. I think if you care about both those things, as I believe most British people do …
ANDREW MARR:
(over) So if you had to choose, which way would you go?

DANNY ALEXANDER:
That is a matter for the British people. It’s not for me to choose. It’s not about who you get on well with or who you work well with. It’s about …

ANDREW MARR:
(over) Sure, but if you personally had to choose between a fair society and a strong economy, which would you go for?

DANNY ALEXANDER:
Well the whole reason as a Liberal Democrat I want both a stronger …

ANDREW MARR:
(over) You don’t want to choose?

DANNY ALEXANDER:
Well you can’t have one without the other. I think the idea that you can have a fair society while flushing the economy down the toilet has been comprehensively disproved by Labour’s time in Government, but I think you don’t get a properly strong economy unless everyone is benefiting from a recovery.

ANDREW MARR:
(over) Right.

DANNY ALEXANDER:
That’s why I think that the Liberal Democrats are right to say you’ve got to want both.

ANDREW MARR:
If this means anything … I’m sorry, I’m not being rude, but if it does then you have to have a clear line on things like the 45p to 40p tax rate. I mean that is an absolutely clear and obvious example and yet you won’t say that you’d actually veto it. You
don’t like it, but you might put up with it.

**DANNY ALEXANDER:**
Well I do not want to go below 45p in the top rate of tax. That’ll be what we will set out in our election manifesto. It’s part of our priority around …

**ANDREW MARR:**
(*over*) But if I … if I vote for you …

**DANNY ALEXANDER:**
(*over*) Part of our priority around fair taxation is to say our focus in cutting taxes should be cutting taxes for working people, not wealthy people. That’s what we’ve sought to do in this Government and that’s what we’ll continue to see if we win the next Parliament.

**ANDREW MARR:**
(*over*) If I … I mean if I move north to your constituency to make Alex Salmond happy …

**DANNY ALEXANDER:**
(*over*) You’d be very welcome …

**ANDREW MARR:**
(*over*) … and vote for you, will I actually know that you will stop the 40p rate happening or not?

**DANNY ALEXANDER:**
You will know that the Liberal Democrat manifesto says that we are not going to cut the top rate of tax below 45p. I’m not going to get into hypothetical scenarios about different combinations and red lines. What I’m saying to you is if you get the Liberal Democrats in Government next time, you can be sure that a fairer tax system will be a central priority for our party.

**ANDREW MARR:**
Your colleague Steve Webb caused a big ripple when he suggested that pensioners could go out and buy Lamborghinis rather than annuities and so forth with their pensions. That was a very loose and rather wild use of language.

**DANNY ALEXANDER:**

Well I think that the whole point of this – and some people find this uncomfortable – but the whole point of this is to say that we think that pensioners who have responsibly saved for their retirement through their entire lives should be free to use the money they’ve saved up for themselves …

**ANDREW MARR:**

*over* To splurge even if they then have to come back to the state for more help.

**DANNY ALEXANDER:**

Well Steve was asked that question. I don’t think that most pensioners will seek to use their money in that way. And what’s more, because of one of Steve’s biggest reforms, which is moving to a single tier pension - which means that the basic state pension will for the first time be set above the level of means testing, to have cleared away a whole lot of Gordon Brown’s morass of means testing of pensioners – that actually means that whether someone has their own additional pension or not, they will have a basic pension from 2016 onwards that keeps them out of that means testing system. So the worry that you have is much less of a worry than it would have been if this had happened with the huge, complicated mass of means testing that Gordon Brown tried to impose on pensioners.

**ANDREW MARR:**

What about annuities and their future? I mean a lot of annuities were bad value and people were very resentful being forced to buy them. Nonetheless, this reform, a lot of people are warning, could destroy the annuity industry completely. A lot of people will still want to buy annuities. Aren’t you destroying the annuity system?

**DANNY ALEXANDER:**

No, I don’t think so. I think a lot of people precisely as you say will want to buy annuities. I think there is still a very strong market for annuities there, but for some
people different ways of using their money will be better for their own retirement than an annuity. And I think one of the problems we’ve seen is that the annuity market has become uncompetitive – people often just going with the default option from their own provider. I actually think this could also help to make the annuity market more competitive, so getting a better deal for pensioners.

ANDREW MARR:
We’ll see. Now you say people aren’t going to splurge the money you think on cars and holidays and so forth, but a lot of people will certainly go into the buy to let market. That’s an obvious thing to do. Again and again and again, I’ve been asking ministers aren’t you worried about property prices and a property bubble in this country and again and again people say no, no, no, it’s fine. Now you’re pouring yet more petrol into a very important part of the housing market. Aren’t you beginning to be worried about the possibility of a housing bubble?

DANNY ALEXANDER:
My answer to this question has always been what it’s about is making sure we get more houses built in this country. And the much-criticised Help to Buy Scheme, again this morning we’re seeing figures showing how successful it’s being – not at stimulating the top of the market but actually at getting money to people buying houses for £150,000 or £200,000. A real success for many people on low and middle incomes, enabling those people to enter the housing market. Eighty per cent helping first time buyers – people who weren’t on the housing market before. An awful lot of it leading to new homes being constructed. I think on this pension thing though, I think the real challenge is for the Labour Party. They seem to be flip-flopping all over the place. They can’t decide whether they really trust people …

ANDREW MARR:
(over) Okay well we’re onto the Labour Party again, so I think we’ve probably run out of time in that case. (Alexander laughs) Thank you very much for now.

INTERVIEW ENDS