JEREMY VINE:
Now it’s nearly two years since the government unveiled what it called a “radical plan to get the economy growing.” There have been many more initiatives since and yet, in Labour’s language, the economy has “flatlined” and the credit rating agency which downgraded the UK says it expects this sluggishness to persist for “years to come”. So are there any new levers the government can pull? The Business Secretary Vince Cable joins me now from his home. I’m going to start if I can with the story that’s all over the papers today, which is about your colleague Lord Rennard and the sexual harassment allegations, so let’s just begin on that if we can. Did you know these rumours about Lord Rennard?

VINCE CABLE:
No, absolutely not, and Nick Clegg has also said he wasn’t aware of these allegations until they appeared on television last week. But they are serious and we take them very seriously. It’s obviously wrong if there are women there who have made complaints, felt they haven’t dealt with them properly, so we are now setting up a proper investigative process. We want an independent element to that and get to the
bottom of it.

**JEREMY VINE:**
The accounts on Channel Four were persuasive in the sense that two women appeared in vision and described what they said had happened; and that, worryingly for your party, they say the chief whip was told and also Joe Swinson, Head of Equality Policy and Women’s Policy, was told as well. So where did they go to after that, those allegations?

**VINCE CABLE:**
Well the whole purpose of now setting up a proper inquiry under the party president and another one under the chief executive is to establish exactly who said what to whom and whether these allegations were properly pursued at the time. They relate to events inside the party administration between I think five and ten years ago. I think it’s very important that rather than jump to conclusions, we just wait until this investigation has taken place. It will have an independent element, as I think Harriet Harman said a few minutes ago. It’s very important that when complaints are made, they’re properly investigated, there’s an independent component to them, and that’s what we’re now going to do.

**JEREMY VINE:**
So when Chris Rennard stood down a couple of years ago citing health reasons - and I should add that he then came back into the party and did senior jobs after that - but when he stood down, was this any part of the reason, either officially or unofficially?

**VINCE CABLE:**
Well as far as I’m concerned, and I’m sure as far as Nick Clegg is concerned, this was an issue of him standing down for reasons of health. But all the allegations …

**JEREMY VINE:**
(over) Are you sure about that?

**VINCE CABLE:**
… that have been made against him … Absolutely sure. These allegations have got to be properly looked at. What is not acceptable to us is that we have a group of women who are clearly very distressed by what happened, have made complaints, feel they haven’t been properly dealt with, and we’ve got to get to the root of that and investigate it. I can’t really say any more.

JEREMY VINE:
But you see it as a very serious matter, do you?

VINCE CABLE:
Of course it is, yes, and of course we’ve got to take it seriously. Yes of course we do.

JEREMY VINE:
Alright. Mr Cable, let’s move onto the triple A rating which has been all the talk since it was stripped from us. Do you think that matters economically for this government? Does it matter or is it just symbolic?

VINCE CABLE:
Well it is largely symbolic. I mean in terms of the real economy, there is no reason why the downgrade should have any impact. If you remember the last year, the United States was downgraded; the economy grew strongly relative to Europe, President Obama was triumphantly re-elected. France had a downgrade last year; its interest rates that it borrows long-term in the markets are not … only a little above ours. So you know these things don’t necessarily affect the real economy, but they reflect the fact that you know we’re going through a very difficult time and we’re trying to balance the need to get the deficit and the budget under control with the need to get back to economic growth, and getting these two things together is tricky.

JEREMY VINE:
The reason people think it matters is because you kept telling us that it mattered. While we had the triple A rating, in 2009 George Osborne said you know it’s absolutely essential that we don’t have the downgrade that hangs over the country at the moment. That’s what he said.
VINCE CABLE:
Well finance ministers, you know chancellor and other finance ministers are bound to be concerned about anything that affects the confidence in the country and the terms in which we borrow, but I think if we put it into a wider context. I mean the rating agencies actually have a pretty bad record. I mean they’re a bit like tipsters - you know they get some things wrong, a lot of things not right. You know they are part of the background noise we have to take into account. The real thing we have to focus on is the real economy and getting growth back, and this is difficult because we have a very badly damaged economy - the banks are still not functioning properly, they’ve taken out an enormous amount of credit from business, we have the legacy problem of the deficit, we have an overhang of debt - and trying to move from that to steady, sustainable growth is not easy. But there are some positive things happening - the figures on employment are reassuring, we have a lot of new companies being established, there is rapid export growth in the big emerging markets. These are all the things we now have to build on.

JEREMY VINE:
Understood. You’re being hammered in the papers today - the government is faltering, time is short. All of that you can predict, but it’s really interesting looking at the papers and the commentators. They’re split down the middle over whether you have to splurge, to stimulate the economy or whether you have to cut to show the ratings agencies you’re serious about tackling the deficit. Now where are you on that spectrum?

VINCE CABLE:
Well we have to do two things simultaneously. We have to reduce what’s called a structural deficit in the budget and we’ve got a plan to do that and we will continue with it, but we’ve got to stimulate the economy and get it growing at the same time. I think to embark on a slash and burn policy in response to this would be utterly foolish and counterproductive and I’m sure we will not be going there. And what I’m concentrating on in my job in government is on the factors that create real substantial long-term growth - in other words skill training, supporting manufacturing, supporting exports, investing in science. I mean these are the things that really matter and which we’ve got to focus on.
JEREMY VINE:
But your stimulus so far - for example your idea of guaranteeing bank lending to business and so on - doesn’t seem to be working because it’s almost too tortuous a process to get the money into the economy.

VINCE CABLE:
Well we are dealing with very badly damaged banks. Britain had the biggest banks in the world. They collapsed. The legacy consequences have been enormous. The banks are withdrawing credit, particularly from small medium-sized companies. We’re trying a whole lot of interventions. I’m in the process of establishing a business bank to create/trade?? more diversity and more diversity and more funding for small scale business. The government has a funding for lending scheme operating through the Bank of England. We’re trying a whole lot of interventions …

JEREMY VINE:
Not working.

VINCE CABLE:
… to get the economy moving. It is working, but it’s working closely and there is a lot of pressures in the opposite direction because when you have this legacy problem of an enormous deficit, an overhang of debt, badly managed banks - all the experience of other countries that have been through this and have passed historical experience is it’s difficult to get it right.

JEREMY VINE:
What about … There’s a piece in the papers today by Mark Littlewood of the Institute of Economic Affairs who says actually what you’ve got to do is not stimulate the economy the way that you’re describing. You’ve got to slash the spending to fund tax cuts. That’s what you have to do.

VINCE CABLE:
Well he’s a right wing idealogue and this government is a balanced coalition government that’s trying to address issues in a measured way. And of course we’ve got to have fiscal discipline, we’ve got to reduce this legacy problem of a very large
structural deficit caused by the fact that a large part of our revenue - which we used to get from the banks and the housing market - has gone, and we’ve got to gradually reduce that deficit - which we are. But at the same time we’ve got to invest in the future and grow and I think the prescriptions of Mark Littlewood would be seriously unhelpful in trying to achieve that.

JEREMY VINE:
Anyone listening is going to see that you’re having it both ways. Maybe this sums up the difficulty of your position, Mr Cable. In December the figures show us that the government was spending about £500 million a day more than it was taking in tax, so how can the answer be to spend even more than that?

VINCE CABLE:
Well it depends what the spending’s for. We have to reduce government current spending. That’s what we’re trying to do. I’ve I think set an example with some of my other colleagues. Very large cuts are having to be made in my department, we’re operating on much leaner resources. That’s a necessary discipline we’re going through. But there is a lot of government spending which is investment in the future, investment in skills and science and infrastructure, and we’ve got to continue doing that.

JEREMY VINE:
You have an ally I think in what you’re saying in Boris Johnson, the Mayor of London, who says – I quote him here - he says “it’s time to junk the rhetoric of austerity, junk the hair shirt, and invest in houses, roads and rail to get Britain moving again”. And, funnily enough, he says you haven’t done it fast enough.

VINCE CABLE:
Well he’s of course sitting on the sidelines, he doesn’t have responsibility for managing this crisis, but of course we’ve got to invest in housing and infrastructure while at the same time as managing budget discipline. It is a very difficult trick to achieve and it’s in historically unprecedented times. Britain has never experienced a crisis of this kind consequent upon the collapse of the banking system, and it is going to require a lot of patience and a lot of discipline and that’s exactly what I and my
colleagues are trying to deliver.

**JEREMY VINE:**
And I’ve noted in what you’ve said, you haven’t used the phrase Plan B, you haven’t spelt out a Plan B. It’s pretty much for you and George Osborne more of the same and steady as she goes, is it?

**VINCE CABLE:**
Well I’ve always found this Plan A versus Plan B debate a bit juvenile. What we’re actually talking about is Plan A Plus or Plan A Plus Plus. Of course you’ve got to have the budget discipline, but you’ve also got to have the government acting in a way that supports growth; and, as I say, investing in skills and science and infrastructure’s an important part of that. We’ve got to have the growth agenda simultaneously with fiscal discipline, getting that balance right.

**JEREMY VINE:**
You launched a plan for growth I think two years ago, Vince Cable. You signed it with a great, big flourish and I was reading it yesterday. Point one of the plan for growth says - and I quote - “we must create the most competitive tax system in the G20”. So why is your party pushing for a mansion tax and even a tax on jewellery?

**VINCE CABLE:**
Well we’re not arguing for a tax on jewellery. The party’s policy is to support a mansion tax. That’s absolutely nothing to do with undermining competitiveness. In fact taxing unproductive wealth and extreme concentrations of wealth is very much consistent with having a more competitive tax regime. We’ve supported this policy because it’s fair, because there are extreme concentrations of wealth, and it’s also a way of taxation that avoids … that prevents the problem of tax avoidance. We’ve got an extraordinary anomaly in our council tax system at the moment that if you’re in a mansion worth £20/50 million, you’re paying the same amount of tax as somebody in a suburban semi. I mean this is fundamentally wrong and there is a growing consensus in support of this. There was a YouGov survey only the other day that showed a large majority of the public support the mansion tax principle …
JEREMY VINE:  
(over) Well and of course …

VINCE CABLE:  
… even the majority of Conservatives, and we’ve got to get on and do it.

JEREMY VINE:  
I was going to say you could mention Labour as well who’ve actually, I mean given that it was your idea, you probably feel rather complimented that they’ve taken the idea and you may have a chance to vote with Labour for a mansion tax against the Conservatives. Would you do that?

VINCE CABLE:  
Well of course it depends entirely how the motion’s phrased when it’s put down in parliament and we haven’t got to that stage yet.

JEREMY VINE:  
But you would consider it?

VINCE CABLE:  
Well we don’t rule it out. I think it’s probably unlikely that the Labour Party will resist the temptation to play politics with this, but we’ll see what happens when they put their motion in parliament.

JEREMY VINE:  
Do you want the government, the coalition to hit the rich more in the budget?

VINCE CABLE:  
Well I certainly favour the idea of fairness. What the Liberal Democrats have emphasised is taking some of the tax burden off people at the bottom end of the scale, which is why we’ve emphasised lifting the tax threshold. We’re approaching £10,000 before you pay any income tax. Effectively it’s a £600 tax cut for most people on low and middle incomes and that’s where we’re emphasising our effort. We do think that the very wealthiest people in society could pay more and should pay more, which is
why we put forward the idea of a mansion tax, which is actually a tax on unproductive forms of wealth and in a way that deals with some of the very serious anomalies from the past.

**JEREMY VINE:**
Strangely if you’re looking for a party that wants to cut tax at the moment, you probably look to Labour, don’t you? They want to cut tax to … VAT to 17.5%, 5% on home improvements, national insurance holiday for small firms, bring in a 10p tax band. Think they’re going in the right direction, the opposition?

**VINCE CABLE:**
No, I … Well they want to cut taxes, they want to increase spending and they talk about reducing borrowing at the same time. It doesn’t add up. They were very populist in government, didn’t deal with the problems of the economy, allowed the banking bubble and the housing bubble to get out of control, left us with this terrible legacy problem, so we will not be looking to them for economic advice.

**JEREMY VINE:**
Vince Cable, thank you very much for joining us this morning.

**VINCE CABLE:**
Thank you.

**INTERVIEW ENDS**