ANDREW MARR:
Now there’s a battle looming in the House of Lords tomorrow, as we were saying, over the government’s plan to tuck cat … to cut tax credits, I beg your pardon. The Conservatives don’t have a majority there, so it is quite possible that the unelected upper chamber could throw a serious spanner in the works, which would no doubt delight no one more than my next guest, the Shadow Chancellor John McDonnell. Welcome Mr McDonnell.

JOHN MCDONNELL:
You’re welcome.

ANDREW MARR:
First of all, let’s talk about tomorrow if we could. There are various motions down there. Would you regard the Labour motion, which is for a 3 year pause in this proposal, as in effect killing it off?

JOHN MCDONNELL:
No, I think it’s a real offer to the government, to George Osborne, to see if we can actually make sure people are properly protected; and then at the right time, if there’s a way of reducing tax credits, of course we’ll cooperate with him in that respect.

**ANDREW MARR:**
Is there something slightly embarrassing for someone like you who can’t be a supporter of the unelected second chamber relying on the ermined peers to stop this measure?

**JOHN MCDONNELL:**
(laughs) Not embarrassing. I’ve always been a person who … I’ve never wanted a House of Lords that’s unelected, but I do agree with a revising chamber, and to be frank this is becoming above politics. I’ve written to George Osborne today to say look this … I know what a U-turn looks like and how it can damage you, but we need a U-turn on this one. And so I’ve said to him, look, if you can change your mind on this, we will not make any political capital out of this. So if the Lords do throw this out tomorrow and put it back to the government, I’ve said to him if you change your mind, bring back a policy in which people are protected – not a political stunt but a real protection – we will not in any way attack you for that. In fact we’ll support you.

**ANDREW MARR:**
So that’s … well that’s a very interesting offer. The House of Lords, however, may go the other way. I mean … and we don’t know, neither of us know what’s going to happen in the House of Lords tomorrow. If the policy goes ahead, is that it - as far as you’re concerned, the House of Commons has spoken, you don’t like the policy but it’s going to go ahead? Or do you take this onto the streets, do you start to get a big national campaign against it?

**JOHN MCDONNELL:**
Well I think we already have – not just the Labour Party but a large number of organisations in civil society – because we’re talking about well peo… these are people who go to work, look after their kids, do everything asked of them, and they’re going to lose on average about £1300 a year. Two hundred thousand children could be forced into poverty as a result of this. So out there, right the way across society now,
people are saying this is unacceptable, please think again government. And we’ve said look please think again, change policy direction, and we will not criticise you for that, in fact we’ll support you.

ANDREW MARR:
But this has huge financial implications. I mean George Osborne expects to save four and a bit billion pounds every year on this towards deficit reduction. So if, as I gather, you would completely reverse all of this, that’s a huge amount of money for you to find from somewhere, isn’t it?

JOHN MCDONNELL:
It is. But what we’ve said to him – look if you could reverse your policy on this, what you need to do is start thinking about a reversal on the direction of your policy with regard to tax cuts overall. Remember on Monday in the finance bill he’s going to force the cut to inheritance tax, which is to some of the richest families in the country. It’s the same on the top level of tax, it’s the same on corporation tax. It’s always tax cuts for millionaires, but credit tax … credit cuts to … well tax credit cuts to the poorest and some of the middle and low earners.

ANDREW MARR:
Do you think this new £1 million ceiling on inheritance tax is simply too high?

JOHN MCDONNELL:
Well I think it is at this stage. We can look at it again when the economy’s in better shape. But you can’t be in a situation where you’re cutting the taxes to the wealthiest but then cutting the benefits of some of the middle and low earners and poorest in our society. People out there just think it’s unfair.

ANDREW MARR:
I mean you were elected as a radical shadow chancellor or chosen as a radical shadow chancellor. We are now in a situation, there’s a big new book out on class just this week which shows that inherited wealth in this country is one of the biggest drivers of inequality, it’s massively important. So I wonder whether you are thinking about a really big change to inherited wealth – some kind of wealth tax, some kind of revised
inheritance tax …

JOHN McDONNELL:
(over) Yes.

ANDREW MARR:
… because if you don’t do that then these divisions are going to carry on?

JOHN McDONNELL:
There was an excellent book produced recently by Professor Anthony Atkinson with regard to inequality and one of the issues he’s saying is we need to look at this whole issue. And one of the recommendations he put forward is what’s happening in Europe at the moment where you set up a social and economic council, bring civil society together to look at these issues. And that’s what we’re going to do because one of the issues we want to address is inequality and how we then seek prosperity for everybody, just not a rich few.

ANDREW MARR:
But you’re not really about reviews. You need a wealth tax, don’t you?

JOHN McDONNELL:
Yes. Well I think at some stage we’ll be looking at a fairer taxation system. But we want to bring people with us and part of that is explaining just how unfair the system is at the moment and the tax credits issue reconfirms that in people’s minds.

ANDREW MARR:
When it comes to the whole … the whole taxation system, you said in your speech to the party conference you want to get a lot of money from the big companies – the Starbucks’ and so forth, the Amazons – not paying their full taxes. But you know politicians have said this for years and years and years. They have very, very clever accountants. Capital is mobile and international. It’s much … This is slippery money to get your hands on, very difficult.

JOHN McDONNELL:
It is. I’ve been working …
ANDREW MARR:
(over) Is there an element of crossed fingers about all of this?

JOHN MCDONNELL:
No, not at all. I’ve been working on this for 15 years. I was one of the first MPs that brought the tax justice campaign into parliament. No one was listening to us at that point in time. I think we’re winning the argument on taxation. I’ve also said we’re going to review HMRC, our tax collectors, because under George Osborne he’s cut the staff from 70,000 to what will be 50,000. He’s closed local offices, so they’re undermining the resources of the very tax collectors that we need to bring this money in. He’s accepted himself, the Treasury published its own figures, a tax gap of 30 billion. Ten billion lost through illegal tax evasion. I think we’ve got to clamp down on this and we need to do it seriously.

ANDREW MARR:
Let’s move to another big issue over the past week, which is the steel industry. Now you’ve been highly critical of what the government has done. What would a Labour government actually do now because it’s a very complicated question, it’s involving dumping from overseas and cheap steel but it’s also about the price of the pound, it’s about the price of electricity, it’s about lots of issues – most of them global?

JOHN MCDONNELL:
Well we would have listened to the steel industry itself. The steel industry has campaigned now in recent years, and we’ve been supporting them, about working within the EU to stop the dumping. The government hasn’t done enough to actually bring forward the legislation within the EU to make that effective. They’ve been arguing to make sure that we reduce our energy charges to the industry. Government has done a bit but not much. They’ve been saying business rates for our industries are 80 per cent higher than the rest of Europe. Government promised, but never delivered. But in addition to that, it is about having a long-term investment strategy. We need a steel strategy that … George Osborne said that you know there’d be the “march of the makers and we’ve got a long-term economic plan.” Well we’re now revealing for steel we certainly haven’t and we need … we need to listen to the industry itself.
ANDREW MARR:
Would you consider renationalisation?

JOHN MCDONNELL:
Well there’s areas in which governments need to intervene and our government has said well we can’t do that because of EU rules. My parliamentary private sector Andy McDonald’s just come back from Italy. In Italy the government intervened. They took over. They actually invested and they’ve turned the situation round. They didn’t wait for Europe to tell them whether they could or not. They actually did it and then actually they’ve proved to be successful. We need to be a strategic state intervening when necessary.

ANDREW MARR:
In terms of the bigger picture, you are against the neoliberal market consensus that we live under at the moment. Do you believe in going back to some of the older policies of as it were pulling up the drawbridge, putting in tariffs to protect British industries when the economic storms are at their worst?

JOHN MCDONNELL:
Well across Europe – let’s take steel as an example – across Europe there’s been a debate around Chinese dumping and we now know the dumping of steel from China was as a result of that state subsidising their steel industry. So across Europe we’ve now got a consensus that we need measures to protect our steel industry from that sort of dumping policy. So those forms of protections, if we can get agreement across Europe and introduce the appropriate regulation, well I support. Of course we’ve got to compete in a global market and the only way you can compete is by investing in the future. The problem with this government, it’s cutting public sector investment. We’ve got the lowest level public sector investment now in the G7 apart from Canada, and the Canadian government has now changed and what are they going to do? Ten billion pounds worth of investment.

ANDREW MARR:
Let’s turn to the party, if I may, because you said at a speech at Momentum last night
that this is the mo… the biggest moment in British politics – the Corbyn/McDonnell moment – for more than a century. What did you mean by that?

JOHN MCDONNELL:
I didn’t mention the Corbyn/McDonnell moment. I don’t think there is such a …

ANDREW MARR:
(over) No I’m … I’m paraphrasing …

JOHN MCDONNELL:
(over) That’s okay, I didn’t want to personalise it.

ANDREW MARR:
… I’m paraphrasing.

JOHN MCDONNELL:
I meant this is. Is that Jeremy Corbyn’s campaign started off, we were booking rooms for 100 people to turn up and 500 and 1,000 and 2,000 people were turning up. All of a sudden we realised there’s a new generation (and some of the older generation) want to be reengaged in politics. For the first time I think in generations there’s a … there’s a demand for politics to be open and democratic and engaging, and I think that’s really exciting, I think it’s terrifically exciting.

ANDREW MARR:
The problem that you’ve got, however, is there’s a huge disconnect between the ideas and the energy of that movement that brought Jeremy Corbyn to the Leader of the Labour Party and the Parliamentary Party, which is as it were unreformed and largely untouched by that. How do you deal with that disconnect?

JOHN MCDONNELL:
Well I don’t think it is untouched by that. In the debates that we’ve been having in shadow cabinet in the Parliamentary Labour Party people have been saying look things have changed. We’re not completely sure how it’s changing but we’ve got to be part of that change. And there’s a real willingness of the new politics - open
discussion, debate.

**ANDREW MARR:**
But you also know there’s a lot of unwillingness there too.

**JOHN MCDONNELL:**
(over) Oh yes.

**ANDREW MARR:**
There’s a lot of very angry people. Simon Danczuk saying he’s going to run as a ‘stalking horse’ candidate against Jeremy Corbyn.

**JOHN MCDONNELL:**
That’s Simon being Simon, isn’t it really? And there’ll be people who …

**ANDREW MARR:**
Well …

**JOHN MCDONNELL:**
... have to come to terms with the change, and they’ll do it slowly but they will.

**ANDREW MARR:**
Perhaps more substantially because there are a lot of as it were moderate or centre Labour MPs who are really, really worried that when the boundary changes come, the new movement will push them out. I’m going to just show you something which Frank Field has told Sunday Politics. This is Frank Field talking about that. Let’s have a little look at it.

**SUNDAY POLITICS CLIP – FRANK FIELD:** There will be a large group I would hope in parliament of MPs who will, if colleagues are unfairly treated, encourage their colleagues to stand in by-elections, to stand as independent Labour candidates, and there are a large number of us, including myself, would go and actually campaign for them. Now that’s a capital offence, a campaign for somebody standing against an official Labour candidate, but if enough of us go they can’t pick all of us off and expel
the lot.

**ANDREW MARR:**
Frank Field on The Sunday Politics this morning. What do you say to that?

**JOHN MCDONNELL:**
Frank’s a friend of mine. We’ve been working together for 20 years. Let me tell him and every other Labour MP we are opposing any threat to individual MPs. We are not in favour of re-selection of these MPs. The democratic processes in the Labour Party will take place in the Boundary Commission in the normal way. Jeremy Corbyn at the last Parliamentary Labour Party made it clear that the existing rules on selection and re-selection will be carried out in the same way as the last Boundary Commission. There is no way that we will allow MPs to be deselected in that way. We will work together on this.

**ANDREW MARR:**
But surely we’ve got a new party out there, lots of new members of the party who think … see the world much more as you do than perhaps as other Labour MPs do. They are going to get their chance to replace MPs when the boundary changes come and you must want a Labour Party in parliament which more represent the kind of movement that you’re talking about?

**JOHN MCDONNELL:**
I think … I think we’re radicalising the Parliamentary Labour Party already. People are becoming very involved in that debate. They’re going back to their constituencies and they’re being accountable to the new membership as well as the old membership, which is great and politics is changing in that way. But under the Boundary Commission, under the boundary change rules existing MPs have the right to be selected for their particular constituencies. The only time that will change is if two MPs are coming up against one another.

**ANDREW MARR:**
You have said in the past the Labour Party has never been a socialist party …
JOHN MCDONNELL:
No.

ANDREW MARR:
… and this is a momentous moment for the party. Is this the moment it becomes a proper socialist party?

JOHN MCDONNELL:
It will always be a broad church between socialists, social democrats and other social reformers. It will always be that. I think we’re winning the socialist arguments more and through the democratic procedures of the Labour Party we’ll debate our policies and then we’ll unite and we’ll defeat the Tories at the next election.

ANDREW MARR:
One of the things that scares people about the current leadership, if I may say so, are some of the advisers you’ve brought on board. Seamus Milne worked for The Guardian for a long time. He’s now Head of Communications and so forth. He said that, for instance, the killing of Lee Rigby on the streets of Britain wasn’t a normal terrorist offence because Lee Rigby had fought as a soldier. For most people watching this programme, hacking someone to death on the streets of London is a terrorist offence period – simple, straightforward and the end of that. Do you agree with that?

JOHN MCDONNELL:
Yes I do agree - it was a terrorist offence, of course it was. When Seamus Milne is taken on, he’ll be reflecting the views of the party overall and the party leadership. That will be his job and he’ll do that faithfully, I’m sure.

ANDREW MARR:
What about Andrew Fisher then? The Benn family have been good friends of Jeremy Corbyn and I suspect yourself for many, many years. Emily Benn, standing for the Labour Party, was opposed by Andrew Fisher who was standing for class war. Now that …

JOHN MCDONNELL:
(over) No he …
ANDREW MARR:

(over) Well he wasn’t standing. He was supporting class war.

JOHN MCDONNELL:

(over) No look … No what happened … No he wasn’t supporting class war. What he did is a couple of satirical tweets which were challenging an anarchist standing in that constituency saying what’s an anarchist standing for an election for, and he’s a supporter. Andrew I know worked in constituencies right around the country over the last three elections. He toured round campaigning for Labour. He’s got a record of campaigning in every marginal seat that we put him in over the last two elections. He’s a Labour Party … He’s a Labour Party member true and true, right the way through.

ANDREW MARR:

So these are the people around you. Nonetheless to a lot of people it seems a slightly strange group of people. I mean Seamus Milne has a long record of backing what Putin’s been doing and so forth and being highly critical of the West, including over terrorist attacks and 9/11 and so forth. Are you really sure these are the kind of people that you want around?

JOHN MCDONNELL:

They’re people with independent views in the past but they’ll be serving the party overall (Marr/inaudible) and we’ve got a vast range of people, policy advisers. I’ve set up, for example, an economic advisory council which has Nobel Prize winners. We will be drawing on the best brains in this country and globally to advise us and assist us in policy development and all the policies will be democratically determined by the Parliamentary Labour Party at our conference.

ANDREW MARR

John McDonnell, I’m not absolutely sure who I’m talking to here (McDonnell laughs) because I’ve been following you over the years and you’ve been talking about insurrection, you’ve been a man of the hard left, you’ve been very, very critical of the Tories, you said you’d swim through vomit to vote against them. You said lots and
lots of things and here you are, you sound terribly moderate and terribly … Now are you hiding your real views or have you actually changed as a politician?

JOHN MCDONNELL:
I’m the same socialist as I’ve always been, but I think you’ve been reading the wrong newspapers. When people hear us on live TV like this, they see we’re human beings, decent people who want to work in the interests of our people and our country and that’s what we’re doing.

ANDREW MARR:
John McDonnell, for now thank you very much indeed.

INTERVIEW ENDS