ANDREW MARR:
According to this morning’s polls, raising the top rate of tax to 50p is a very popular policy - except, of course, among those involved. Ed Balls’ new policy will hit investment and job creation. “Politicians should match their pro-business rhetoric by reducing the top rate of tax further, not engage in political posturing.” That was the reaction from the Institute of Economic Affairs. And Labour’s former Treasury Minister, Lord Myners, has also pitched in, criticising yesterday’s announcement. So why this move and how significant will it be in raising money to cut the deficit? Good morning, Mr Balls.

ED BALLS:

ANDREW MARR:
Last week, the Leader of the Labour Party, Mr Edward Miliband, was sitting in that very chair, and I asked him about the 50p rate and when we’d know and he said wait till the 2015 election; and then, lo and behold, six days later out it all comes. Is this a sign of panic in any way?

ED BALLS:
I think that it reflects a decision which we made last summer, but then in the last few weeks we needed now to move to a new phase of setting out exactly the details of our deficit reduction strategy for the next Parliament. And the most important thing I said yesterday was that we would balance the books, we’d get the current budget back into surplus in the next Parliament, the national debt falling. We would do something George Osborne’s failed to do in this Parliament. We would do it as soon as we could in the next Parliament …

**ANDREW MARR:**
Yes.

**ED BALLS:**
… more quickly would be better, and we’ll get the deficit down in a fair way. And a fair way means those with the broadest shoulders bearing their share of the burden. And, therefore, I don’t think you can justify when people’s taxes have gone up, and most people in our country are seeing their living standards falling, cutting income tax for the highest earners, which is what David Cameron and George Osborne have done. That I don’t think is a fair approach to deficit reduction and we take a different approach.

**ANDREW MARR:**
So now we come to the crucial question, which is how much will it or won’t it raise? A huge argument about it. You say I think something like £100 million, a £100 million - is that right - in a year?

**ED BALLS:**
Well no, the Conservatives tried to claim that, but that was a sort of political decision a couple of years ago. I mean the one thing everybody was clear on a year and a half ago was that it would give £3 billion in a tax cut from 50p to 45p to people earning over £150,000. The question was how much extra tax revenue you got in …

**ANDREW MARR:**
*(over)* Do you get back.
ED BALLS:
… to compensate for that £3 billion.

ANDREW MARR:
(over) And there’s been an enormous row about this. The Office for Budget Responsibility says 100 million, I think.

ED BALLS:
No, not quite actually.

ANDREW MARR:
Around that.

ED BALLS:
No, no. Well …

ANDREW MARR:
Anyway and you say 8.9 or 9.8 or something like that.

ED BALLS:
Let’s be clear about this. The government ministers said, in their view, changing their view of that behavioural response, it would be £100 million.

ANDREW MARR:
Yes, okay.

ED BALLS:
The OBR and the IFS said this is all highly uncertain. They didn’t say the Government was wrong to say £100 million, although many people think it could be …

ANDREW MARR:
(over) No. They said it was the best guess, I think - more or less.
ED BALLS:
Well I’m not sure they … I don’t think they went that far. But what’s happened since then is we now know in the 3 years when the 50p tax rate was in place £10 billion more money came in from people earning over £150,000. So clearly when the rate was up …

ANDREW MARR:
(over) Well it was suggested it wasn’t a good idea to … it was a good idea to cut the tax because you’d get more revenue.

ED BALLS:
No, hang on a sec. When the 50p rate was in place, there was £10 billion more than we planned.

ANDREW MARR:
Oh I see.

ED BALLS:
So the idea that having the 50p rate deterred people, it didn’t, because what’s happened - as we all know - is that living standards have gone down for most people, but they’ve continued to rise at the top. Now we’re saying it would raise revenue, it would raise a substantial amount of revenue, but there are different views whether it’s £100 million, over a billion pounds. The important point is it’s a fair way to get the deficit down. And I think everybody … Look, the phrase was “We’re all in this together”. This is part of that policy.

ANDREW MARR:
(over) Okay, let’s get away from the impossibilist and frankly dull argument about exactly how much it would raise.

ED BALLS:
Yeah, it’s going to raise money, but the question is how much.
ANDREW MARR:

(over) But it’s not going to raise that much money. I did a back on an envelope calculation. I thought maybe about 6 to 10 per cent of what you need to raise to cut the deficit each year. So what I’m interested in is what about the other 90 per cent? Is that all going to come from tax cuts … sorry spending cuts, or are there going to be further tax rises? Is this a sign saying basically we’re going to do it through tax or not?

ED BALLS:

I said yesterday that we wanted to get the budget back into balance as soon as we can in the next Parliament, but that will depend on three things. First of all, tough decisions we will make - and there’ll be spending cuts in the next Labour Government. Secondly, what happens to the economy because the more we have sustainable growth, the more the tax revenues come in because you’ve got people seeing their living standards rising and paying more tax, more people investing for the long-term. And, thirdly, decisions we can make to do things in a fairer way. Taking the winter allowance away from the richest pensioners, the top rate tax rise while we get the deficit down, those are all things which can help us do it in a fairer way.

ANDREW MARR:

Plus mansion tax.

ED BALLS:

Yes. And we’ve said that we would like to find a way to ease the tax burden on middle and lower income families, who are paying a lot more tax, by having a mansion tax to pay for a 10p tax cut. But that needs to go alongside the 50p in the next Parliament while we get the deficit down.

ANDREW MARR:

Given that the top 1 per cent pay something like 30 per cent of income tax at the moment, how much more can you squeeze them?

ED BALLS:

Well the reason they pay 30 per cent of income tax is because they earn far, far more and are much wealthier than everybody else. Obviously, they’re earning over
£150,000. Now in 2009, when we had the big deficit, Alistair Darling said while we get the deficit down, we ought to ask people on the highest incomes to make a contribution. Our problem is that we hoped the deficit would be gone in this Parliament. That was Labour’s plan …

ANDREW MARR:
(over) And it ain’t.

ED BALLS:
And it’s not. It’s going to be huge going into the next Parliament. The same argument applies: if we’re going to …

ANDREW MARR:
(over) So coming back to it …

ED BALLS:
… get the deficit down, it’s got to be fair.

ANDREW MARR:
Exactly. Coming back to where we started from, it’s either got to be got down with substantial tax rises going much further than this 50p rate because it doesn’t raise enough and/or spending cuts. Do you know yet what the sort of percentage …

ED BALLS:
(over) Or …

ANDREW MARR:
And growth of course, yes. What is the percentage as between tax rises and spending cuts?

ED BALLS:
But if you just take the point we just made about this Parliament, why is it the case that George Osborne has failed to get the deficit down? It wasn’t that he didn’t raise taxes - he raised them. It wasn’t that he didn’t cut spending; he tried to cut it on police
and education and all those things. But because the economy flatlined for 3 years, the deficit’s not come down.

ANDREW MARR:
So you’re saying that …

ED BALLS:
(over) Actually that growth argument is very, very important.

ANDREW MARR:
You’re saying because the Conservatives have produced a growing economy, then you’re going to have no problem?

ED BALLS:
Well, look, I hope this growth, which is finally coming through, lasts and is sustainable and is balanced and is investment led. I have to say at the moment, when you’ve got a recovery which is driven not by business investment - that’s flat - but by housing demand being pushed up by the Government, while housing supply is weak, this is …

ANDREW MARR:
Sure.

ED BALLS:
… this is not a straightforward way to a sustainable recovery. And we’ve had the debate in the last few days, haven’t we, that interest rates (where people are worrying) interest rates might go up because of that unbalanced housing led recovery. That is kind of quite a risky prospect for the economy.

ANDREW MARR:
So you’re pleased with what the Governor of the Bank of England has said about that? He has kind of slightly calmed that worry.

ED BALLS:
Yeah, well I …

**ANDREW MARR:**
Let’s go back to the 50p rate, if I may, because that’s your big announcement.

**ED BALLS:**
Okay.

**ANDREW MARR:**
On the 50p rate, is this a sign that there’s going to be more tax rises ahead - this is a kind of political flag, this is the way I’m going - or not?

**ED BALLS:**
Well we’ve said a mansion tax to cut the 10p rate for families; we’ve said that we would have to raise the 50p rate in the next Parliament while we get the deficit down we’ve said there’ll be spending cuts; there’ll be rises in the pension age; we wouldn’t go ahead with the winter allowance for the richest pensioners; we have a zero based spending review. What I can’t do to you is say …

**ANDREW MARR:**
(*over*) But no more …

**ED BALLS:**
(*over*) … is say what our tax policy and our tax decisions would be in budgets 3 years out when we don’t know what will happen to the economy. But I’m clear middle and lower income families are already paying a lot more tax; their living standards are falling; they’re hard pressed and they want help.

**ANDREW MARR:**
Which strongly suggests to me that if you had to, you’d raise the top rate back to the rate that it was during the Thatcher years, which is 60p; that you could keep going on in that direction.

**ED BALLS:**
ANDREW MARR:
Absolutely not?

ED BALLS:
No, absolutely not.

ANDREW MARR:
Under no circumstances?

ED BALLS:
What we’re talking about here is going to 50p while we get the deficit down.

ANDREW MARR:
And that’s it?

ED BALLS:
Yeah.

ANDREW MARR:
And that’s it. Alright. As you have spotted from today’s papers, I’m sure, business is furious about this. Big business is saying it’s an anti-business move, it’s going to drive people away, it won’t even raise the revenue you want. You were part of the old “prawn cocktail” circuit back in the day with Gordon Brown, going around wooing business to the Labour cause. You have now comprehensively lost business as a supporter. Can you actually win an election, as Martin Ivens was asking, without business behind you at all?

ED BALLS:
Look, we are a pro-business party. This …

ANDREW MARR:
That’s not what they think.
ED BALLS:
This is not an anti-business agenda. But, Andrew, it is an anti-business as usual agenda. When we’ve got such a big deficit and such a problem with the cost of living and such a need for reform in banking and energy in our economy worldwide, we’d have an investment led recovery. And the thing I’ve said to businesses many times over the last few months, including at the CBI, I support an open, dynamic, wealth creating, entrepreneurial economy. I want people to create wealth. I want to see profits up so that we can invest. But at a time when living standards are falling, you can’t just take for granted the whole population struggling. We’ve got to do things in a different way and in a fairer way.

ANDREW MARR:
So you’re raising taxes and you’re whacking the big cartels. You’ve talked about banking. What about the other sectors? What about pharmaceuticals and so on? Are we going to see more intervention in the markets beyond banking and beyond the housing market?

ED BALLS:
Well, look, the reality of the pharmaceuticals market is it’s a hugely important market where there’s a very strong relationship between government and the industry both in terms of research funding and also in terms of the pricing of drugs into the National Health Service. And in the end, the issue is can government make sure that it sets the rules and does the investments and has the competition policy to make the market work for the long-term? It’s a pro-market policy, a pro-business policy, but it’s not business as usual because our problem is that businesses, as well as consumers, have often felt that, for example, our banks and our energy companies have not worked properly for them.

ANDREW MARR:
So you’re going to … So what do you say to people like Lord Myners and many of your own side who say this is back to Old Labour, this is a lurch to the politics of envy; you’re dividing different groups of voters? It’s very popular to hit people at the top, of course, but it may not be the right thing to do; it’s politics of envy, it’s going
back to the past.

**ED BALLS:**
Well, look, it’s absolutely not back to the 1980s or the 1990s. I was part of a government which did very many things to open up markets, to make the Bank of England independent, to work closely with business. But the reality is we are in very difficult circumstances and because of (if I’m honest with you) George Osborne’s failure in the last few years, those difficult circumstances will now last well into the next Parliament. I’ve had very many business people say to me over the last year or so, they say we want to get the top rate of tax down. Well of course they do. I want lower tax rates. But they also say to cut the top rate of tax when the deficit is still high and when ordinary people are seeing their living standards fall is foolish …

**ANDREW MARR:**
Right, okay.

**ED BALLS:**
… and actually feeds resentment. And I want to do the opposite of that. I want to say look pro-business, pro-investment, pro-market, but pro-fairness. Let’s get this deficit down in a fair way and make the reforms to make our economy work for the long-term.

**ANDREW MARR:**
And you’re going to cut departmental spending?

**ED BALLS:**
Yeah.

**ANDREW MARR:**
You’re going to cut welfare?

**ED BALLS:**
Yeah.
ANDREW MARR:
Do you know where you’re going to cut and how you’re going to cut yet because you made a lot of the so-called “bedroom” tax and some of the things the Conservatives have done, so presumably you have an alternative plan about how to cut welfare?

ED BALLS:
Well, look, the bedroom tax was just grossly unfair. And the British people who want see welfare cuts also want fairness …

ANDREW MARR:
(over) I’m really asking, if I may …

ED BALLS:
Sure.

ANDREW MARR:
… for your alternative to that grossly unfair tax, as you call it.

ED BALLS:
Well we will have a bank bonus tax to get young people back to work and actually start to get the bills of unemployment for young people coming down. We will also build the homes we need to get the housing benefit bill down. We’ve said for 2015/16, this has gone further than any opposition’s done before, but we will match the Government’s current spending plans, the day to day spending - including on welfare. Any changes we make would have to be self-financed and audited by the Office for Budget Responsibility. Beyond 2015/16, George Osborne has said he is going to cut 12 billion …

ANDREW MARR:
He’s given us all the figures year by year by year, which you haven’t.

ED BALLS:
Andrew, hang on a sec. He’s said he’s going to cut £12 billion of welfare spending. He’s not given us one penny of detail about how he’s going to do that. And the
reality, what’s happening to welfare spending about 2015 … You said it was going down. It’s not. It’s going up.

**ANDREW MARR:**

*(over)* No, I said they’re going to …

**ED BALLS:**

*(over)* 16/17 and 18/19. He wants to make it go up less fast. How? No plans. He says he’s going to cut £13 billion from departmental spending.

**ANDREW MARR:**

*(over)* All I was doing is asking you for your plans, Mr Balls.

**ED BALLS:**

I know. But, look, we 3 years before these decisions can’t say, when George Osborne won’t even give us the detail, how we will do it differently from him.

**ANDREW MARR:**

*(over)* So you’ve laid out a lot of future … You’ve said several times in the course of this interview that you’re taking away the winter fuel allowance for the richest pensioners. Is that also a sign you’re going to take away their right to free television licences and bus passes as well because the same logic applies exactly?

**ED BALLS:**

Well I think in the case of free bus passes, it doesn’t apply exactly, because I think there is something about being older and still needing your mobility and your freedom and your independence, which is different, and I think free bus travel is actually very important and very liberating and we won’t touch that.

**ANDREW MARR:**

TV licences?

**ED BALLS:**

In the case of TV licences for the over-75s - look actually you can make exactly the
same argument about TV licences as for the winter allowance.

**ANDREW MARR:**
You can, exactly.

**ED BALLS:**
The problem is when you look at the way you would have to administer taking TV licences away from the over-75s on the highest incomes, it’s so complex and there is so little money that we’ve said we will not do that because it’s just not worth the candle.

**ANDREW MARR:**
Alright, looking for… We’ve talked a lot about looking forward. What about looking in the back mirror? Do you have any sense at all of embarrassment or regret about the overspending because we did have the biggest deficit going into this recession and that was under Labour’s …

**ED BALLS:**
Yeah.

**ANDREW MARR:**
A lot of people say until you confront that and say yes it’s true, we did spend a little bit too much and I’m sorry about that, that people won’t really listen to you and give you the credit for what you’re trying to do going ahead.

**ED BALLS:**
The Conservative Party want to fight the election about the past because they’re worried and afraid they can’t be the party which stands for change and fairness for the future. I’m always happy to debate the past, always happy to, and we have been very …

**ANDREW MARR:**
*(over)* Well, okay, let’s do so.
ED BALLS:
Well okay if you want to, if you want to.

ANDREW MARR:
I mean you could say yes - you know nobody said at the time we were spending too much on the NHS, but if we had hind… with the benefit of hindsight, if I had my time again, I wish we hadn’t spent quite so much across the board during that period …

ED BALLS:
(over) Look, we didn’t spend every pound of public money well, but …

ANDREW MARR:
But you could say that, couldn’t you?

ED BALLS:
Look, to be honest with you, Andrew, I’m really proud of what we did in our investment in the National Health Service …

ANDREW MARR:
(over) I thought you were going to say I’m really sorry.

ED BALLS:
No, I’m really proud of we did in the NHS, I’m really proud of the improvement in standards in schools, the extra police on the streets, what we did to tackle anti-social behaviour. We went into the crisis in 2007 with a lower national debt than we inherited and lower than France, Germany, America and Japan. This Tory argument that the global financial crisis was caused by too much public spending …

ANDREW MARR:
(over) So you’d do it all again? You’d spend that level again if you had the chance?

ED BALLS:
Going into that crisis, if we had known …
ANDREW MARR:
(over) Yes or no, sorry?

ED BALLS:
Pardon?

ANDREW MARR:
Would you do it all again?

ED BALLS:
There would be some spending things we wouldn’t do, some spending things we would do differently ...

ANDREW MARR:
(over) Ah, so you’d do it all again?

ED BALLS:
(over) In some areas, we’d spend more. But do I think the level of public spending going into the crisis was a problem for Britain? No, I don’t. Nor our deficit, nor our national debt. What happened was a global financial crisis, which pushed up the deficit. The question then was who could get the deficit down?

ANDREW MARR:
(over) And now we’re going back into …

ED BALLS:
(over) George Osborne choaked off the recovery …

ANDREW MARR:
Alright, okay.

ED BALLS:
… the recovery Labour had delivered. But you know it wasn’t caused by public spending in Britain and that’s just the truth.
ANDREW MARR:
We will return to some of these matters I’m sure later in the show, but for now, Ed Balls, thank you very much indeed.

ED BALLS:
Thanks, Andrew.

INTERVIEW ENDS