

ANDREW MARR SHOW, PHILIP HAMMOND, CHANCELLOR

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PHILIP HAMMOND, MP

CHANCELLOR OF THE EXCHEQUER

AM: Theresa May apart, the member of the Cabinet most blamed by the right for frustrating Brexit is the Chancellor, Philip Hammond. He staunchly set his face against no deal but as the May era ends, what is the future for him and his political project? He's with me now.

AM: That's absolutely right. Your colleagues who are staunch Brexiteers think that actually in the end your heart was never really in it, you saw the whole thing as a damage limitation exercise, stay as close to Europe as humanly possible and therefore we couldn't get a deal.

PH: Well I've always thought that we need to have a close trading partnership with the European Union as we leave the Union and that was actually the proposition that was presented to the British people by the leave campaign in the 2016 referendum, that was what people voted for when they voted to leave, to leave with a smooth and orderly transition, to a close and special partnership in the future.

AM: But Dominic Raab for instance says and has said in the past, the Cabinet is dominated by Remainers. And the reason he thinks that's a problem is that the EU side, the 27, looked at us and thought they don't really want no deal, they're not really threatening us and that's why we never got much purchase.

PH: I don't agree with that. I think that some people on the hard Brexit wing of my party have consistently failed to understand how the EU approached this problem. They set out at the very beginning how they were going to deal with us as a departing member and they have actually never wavered from that position that they set out at the beginning, insisting on negotiating the exit terms before talking about the future relationship, prioritising the unity of the 27 over the future relationship with the UK. And I

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hear a lot of my colleagues talking about wanting to do a deal with the EU, but actually many of them only want to do a deal that is entirely on their terms. They're not really proposing to negotiate with the European Union, they're simply proposing to go to Brussels once again and tell the European Union once again what it is they don't like about the Withdrawal Agreement.

AM: So when people like Dominic Raab and Boris Johnson say that we're going to renegotiate the Withdrawal Agreement and get a better Withdrawal Agreement, remove the obnoxious bits of the backstop and so forth, what do you think? Do you think they're going to be able to do that?

PH: Well first of all the European Union will not renegotiate the Withdrawal Agreement, I'm quite clear about that. Even if some people wanted to in Brussels, and I don't think they do, they wouldn't be able to because of their own political fragility, the fragility of their coalition of 27. But there's also, if I may say so, a contradiction between saying that we are going to leave on the 31st of October and we should try to renegotiate yet again with the European Commission. There simply isn't going to be time. There actually isn't even going to be a Commission to negotiate with until towards the end of October.

AM: Which means that we are very likely heading towards no deal right now?

PH: Well, I don't agree with that but I do think that people who say I'm going to go and have one last go at negotiating the backstop away and then we'll have to leave on no deal terms, in fact the negotiation is a fig leaf for what is actually a policy of leaving on no deal terms. But that policy has a major flaw in it, apart from the fact that it would have serious implications for our country, and that is that parliament has voted very clearly to oppose a no deal exit. And this is a parliamentary –

AM: But parliament has no locus anymore in this.

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PH: But this is a parliamentary democracy. A prime minister who ignores parliament cannot expect to survive very long.

AM: Are you going to stand as the next Conservative Leader?

PH: I have not put my hat in the ring, as you will have noticed, Andrew. I prefer –

AM: It's early days.

PH: It is early days but I wouldn't hold your breath if I were you.

AM: All right. In that case, looking at the field, we all look at the field of candidates who have announced. Is there anybody that you're going to be likely to back do you think particularly?

PH: Well I'm not going to back any particular candidate at this stage. What I am going to do is engage with all the candidates and understand how they intend to tackle this big problem of Brexit, because Theresa May standing down hasn't changed anything. It hasn't changed the position of the EU. It hasn't changed the arithmetic in parliament. All it has done is created another piece of process which will use up time. So I want to hear what their plans are and beyond that what their plans are for winning a General Election against Jeremy Corbyn and for setting out a Conservative vision for the future.

AM: We've heard Dominic Raab's plan this morning and he said we're going to try and negotiate the Withdrawal Agreement, renegotiate the Withdrawal Agreement. If we can't get that we're out on October the 31st.

PH: Well, parliament will be vehemently opposed to that strategy.

AM: So what does he do? If he's Prime Minister and that's his plan and parliament are opposed, is the danger than that the Conservative government simply crashes out of office? That's a vote of no confidence and some Conservatives vote with the Opposition against the government?

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PH: Well I think I will urge all of my colleagues who are standing in this contest to embrace the concept of compromise. That the only way forward on Brexit is compromise, compromise in parliament, compromise in the country. And I think going to parliament with a hard line absolutist view, and daring parliament to accept it, is quite a dangerous strategy.

AM: And that is the strategy that Dominic Raab outlined just a few moments ago in that chair.

PH: Well I haven't had a chance to talk to him yet about his plan, so I want to do that privately one to one as I will do with all the candidates.

AM: What about Boris Johnson who said in Switzerland this week that we were going to leave the EU on the 31st of October deal or no deal.

PH: Well again, I would urge my colleagues not to box themselves in with commitments that they might find it very difficult to deliver on. Even if we were to leave on no deal, even if the government decided as a matter of policy to leave on a no deal basis there are still legislative measures that need to be got through parliament. So I think – boxing yourself in is seldom a sensible strategy.

AM: You know these people much better than the rest of us. Do you think Boris Johnson will be a good Prime Minister?

PH: I'm not going to speculate on individual candidates. As I said, I don't think this is about personalities, it's about policies in this contest and I want to sit down and talk to the candidates about how they're going to address the big issues.

AM: Without going across the spectrum of his views and all sorts of things, do you think that Boris Johnson would take us out without a deal?

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PH: Well I hope not because I don't think that would be the right thing for the country. But I've heard what Boris said on Friday and I will be looking forward to an opportunity to talk to him about it.

AM: Let's turn to another big area which is tax cuts. Again Dominic Raab has suggested that he wants really quite substantial tax cuts if he becomes Conservative leader and I suspect quite a lot of the other candidates will be saying something similar. Jeremy Hunt's talked about cutting Corporation tax right back to 12 and half percent for instance. As Chancellor, what is the scope for big tax cuts now?

PH: Well, we have some headroom, some fiscal headroom which at the moment we need to retain because of the possibility of a no deal exit, which will have very significant economic and fiscal impact on the country. But as I said in the Spring Statement, once we've got a Brexit deal resolved so we know we won't be in a no deal situation, that head room could be released either for more public spending or for tax cuts. And the luxury we have once we've done this Brexit deal for the first time in a decade is choices as a nation because we've got the public finances back under control. And I would strongly urge my colleagues to recognise that fiscal responsibility is a core Conservative brand and spraying spending commitments and tax cutting commitments around is playing fast and loose with the value of that brand.

AM: Is that what you think Dominic Raab is now doing? £30 billion of tax cuts according to the Institute of Fiscal Studies.

PH: Well, tax cuts are not a bad thing in themselves, but they have to be paid for. Tax cuts which are funded by borrowing would be very dangerous.

AM: What about slashing Corporation tax?

PH: Again -

AM: Again if we're leaving the EU, particularly without a deal, we have to do something different.

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PH: Tax cuts which are funded by borrowing would be dangerous. I hear very little demand from business for big Corporation tax cuts. There are other demands from business. But cuts in the headline rate of Corporation tax are not big among them. We've already got the lowest Corporation tax rate in the G20.

AM: Dominic Raab makes a strong point a lot of people will think in the Mail on Sunday today where he says, but we will have, he said, £25 billion of the £39 billion that was going to the EU to spend on easing the transition through no deal. That's a lot of money.

PH: Well actually he didn't say that because he went on to say that he would be happy to go to arbitration. Our legal advice is that we are likely to have to pay most if not all of that money. But I'd also remind –

AM: So you don't think it's available?

PH: - I'd also remind candidates, we've said many times, that £39 billion is over a 60 year period. It's not a sort of pot of money to be spent on day one.

AM: Right, can we come back to something you said just a moment ago I was interested in. You said that there's a majority in parliament against no deal and that is clearly the case, but as the Institute for Government have pointed out already this morning there aren't the mechanisms by which legally parliament can stop no deal happening. It can say we don't want it but a Prime Minister can still go through with it.

PH: But a Prime Minister has to be able to command the confidence of parliament in order to govern. Now I don't imagine that any of the candidates that you will be interviewing over the coming weeks, Andrew, will have in their minds that they want to push through a no deal exit on the 31st of October and then leave office. How will they govern if they have defied parliament on such an important issue? This has to be done by compromise. By finding a route through in parliament that can command a

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grudging, maybe, that can command a majority of parliamentarians.

AM: Can I be very specific on this. Do you think that a prime minister pushing through no deal against the views of the House of Commons would destroy the Conservative government?

PH: Well I think it would be very difficult for a prime minister who adopted no deal as a policy, that we are leaving with no deal as a matter of policy, to retain the confidence of the House of Commons.

AM: That's a yes really. You want to carry on presumably as Chancellor of the Exchequer, depending who wins this contest. If you are a backbencher would you be voting against no deal and against the government taking us out of the EU on no deal?

PH: Well, I would certainly not support a strategy to take us out with no deal. I think the right way for us to go is to leave the EU with the best deal that we can get. We will have to negotiate a compromise across parliament. Remember the EU has expressed flexibility about the political declaration, the shape of our future new relationship with them. It's only the exit arrangements that they're refusing to reopen and we will have to be prepared to compromise with the Labour Party and others.

AM: Would you vote against your own government on the confidence motion in those circumstances, of no deal?

PH: Well it's a hypothetical question if I don't know what the confidence motion is. What I would say is –

AM: So you might, so you might?

PH: What I would say is that in 22 years in parliament I have never voted against the Conservative Whip, unlike many of my colleagues and I don't want to have to start now contemplating such a course of action. So I hope, despite the pressures of a campaign and I do understand the pressures of the campaign trail, that I hope that the serious candidates in this contest will

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focus on a strategy for building a compromise solution. So that after we leave the EU, parliament can heal, the party can heal and more importantly, the country can heal. Because if we have an outcome that means half the people in this country believe they have won outright and the other half feel they have been defeated, that is a recipe for division and divided countries are not successful countries.

AM: It's an agonising choice and I can see that, but you've been very, very clear what you think about no deal and its effect on the whole of this country and I ask you again. If you're a backbencher and your government is taking us towards no deal very quickly, would you be prepared to vote against that government to stop it happening?

PH: I would find it very difficult to vote for a no deal Brexit, but I have never voted against my government or my party in the 22 years that I've been in parliament and I don't want to be put in that situation. So my focus will be trying to ensure that I don't find myself facing that challenge.

AM: And so a no deal leader of the Conservative Party taking us towards no deal in October, if you are a backbencher you would support that government in a no confidence Motion?

PH: Well it's a hypothetical question.

AM: It is.

PH: I don't know what the Motion would say but clearly all members of a party taking a party Whip are obliged to support that party in a confidence Motion.

AM: You're not saying yes and you're not saying no.

PH: I'm saying this is a very difficult situation. It would challenge, not just me but many of our colleagues and I hope we will never get to that position.

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AM: Philip Hammond, Chancellor of the Exchequer thanks very much indeed for talking to us.

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